

**UACJ**



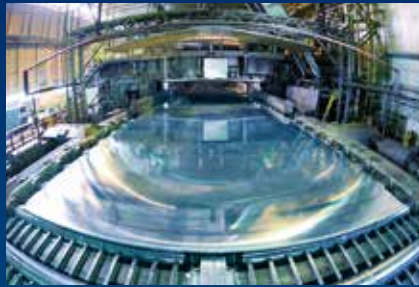
**UACJ Report**  
**2017**  
Integrated Report

## Accumulated Strengths

# Globally Competitive Aluminum Group Created by Integrating Capital of Two Domestic Companies

## Strengths Inherited from Furukawa-Sky *since 1910*

UACJ products for International Space Station and Mitsubishi Regional Jet (MRJ)



400m long rolling mill dedicated to producing only LNG tanker aluminum thick plates in Japan

**World's largest**



15,000t large-scale forging press

**Japan's largest**



AS9100, global quality standard for aerospace industry

**Japan's first**

## Strengths Inherited from Sumitomo Light Metal Industries *since 1897*



Rolling mill capable of producing 2m-wide coils with outer diameter over 2m

**High speed High quality**



High-speed integrated coating line

**Industry first**

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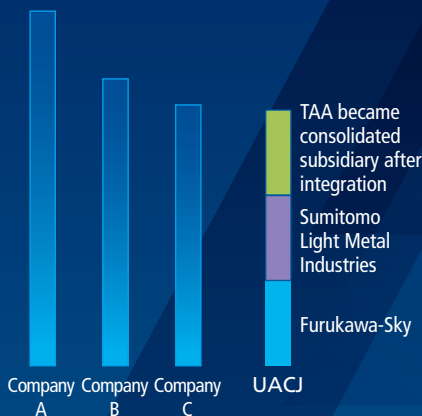
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UACJ strengths created since **integrating in October 2013** *since 2013*



Production capacity surpassing **1 million tons**

Supply network with over **40 locations worldwide**



**Diverse products thriving in various markets**



Highly diverse human resources

Over **9,000 employees**

Industry top-class, over **300 researchers**



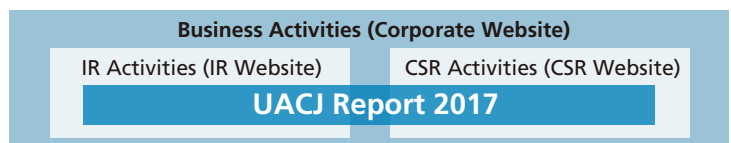
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## UACJ Report 2017



The UACJ Report 2017 summarizes the achievements and overall business operations of the UACJ Group. In addition to reporting current and future outlooks on corporate financial affairs, information on CSR and other non-financial issues has been compiled for this integrated report. Regarding the contents, reference was made to Version 1.0 of the International Integrated Reporting Framework, published by The International Integrated Reporting Council in December 2013.

For further information, this website is linked to the investor relations (IR) and corporate social responsibility (CSR) websites of UACJ.

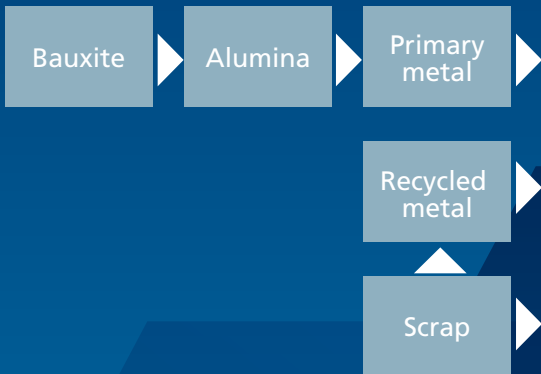
### About Forward-looking Statements

Some information on this report pertains to forward-looking statements and future earnings. These statements are not a guarantee of future earnings, but rather address the risks and uncertainties faced by the Company. Please be aware that actual prospects and earnings may differ from forecasts as a result of changes in the business environment and other factors.

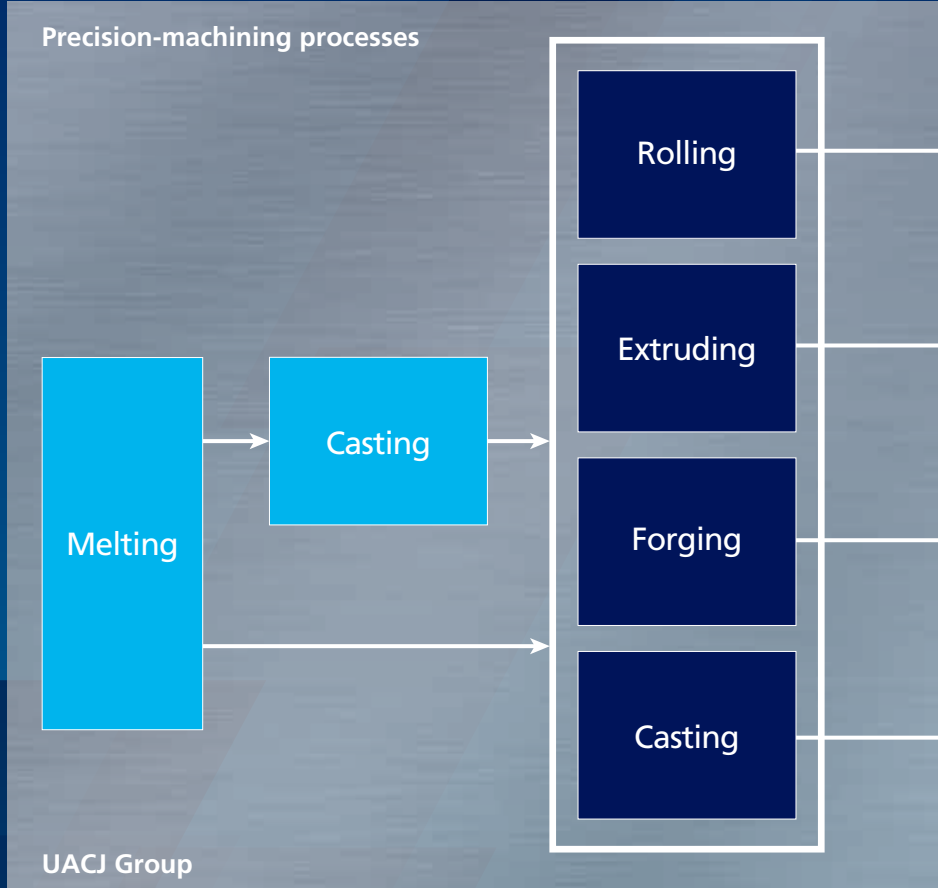


# Utilizing various processing technologies to produce goods that meet market needs

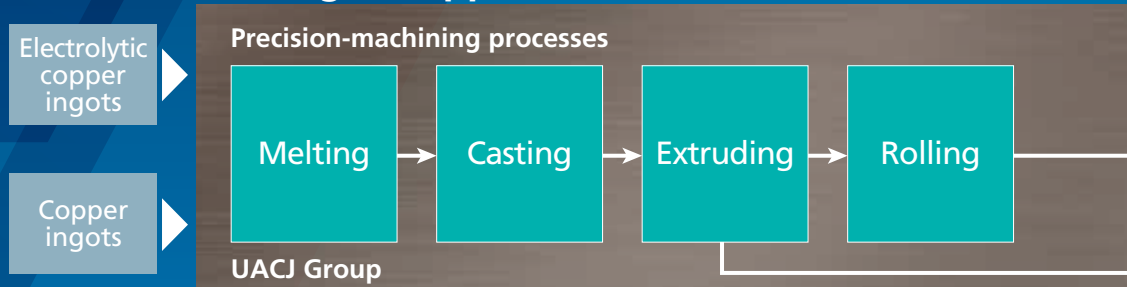
As one of few comprehensive aluminum manufacturers in the world, the UACJ Group supplies aluminum in various forms, such as flat-rolled products, extruded products, foils, cast and forged products, and precision-machined products. We also process copper for a number of clients. By specializing in the rolling and processing operations of non-ferrous metals, a stable business base has been ensured. Taking advantage of the extensive processing technologies we have developed over the years, we supply products for a diverse range of businesses, while serving newly arising needs as well.



## Rolled Aluminum Products Business



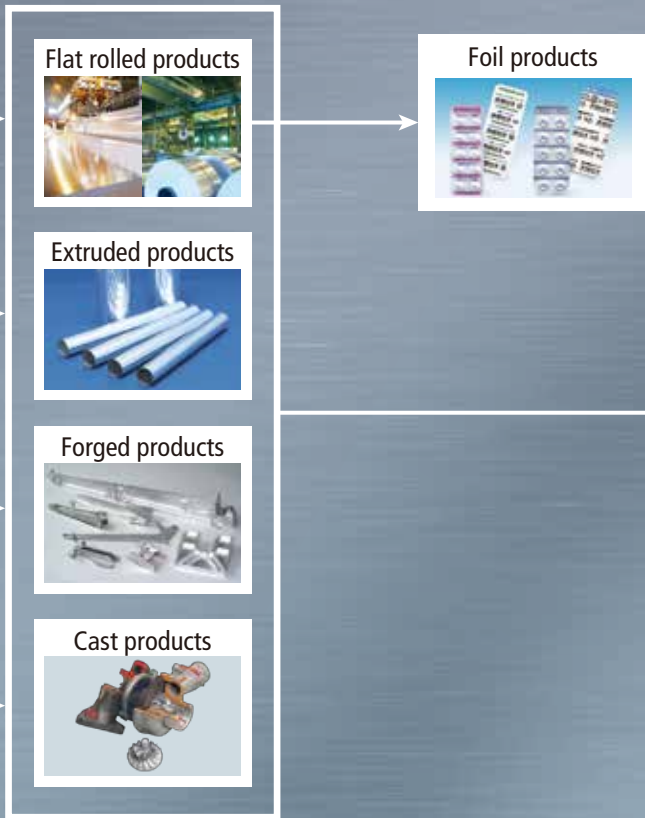
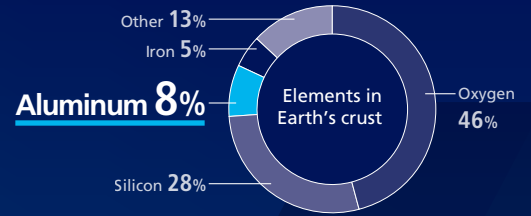
## Wrought Copper Products Business



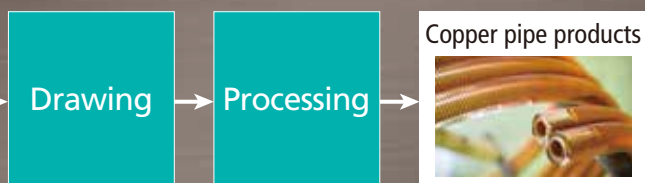
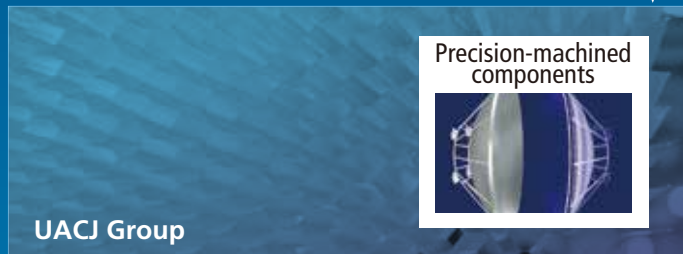
### What's aluminum?

## Aluminum is a metal that will not likely be exhausted

Aluminum is the third most abundant element in the Earth's crust and the most abundant of all metals. It is safe to say that there is no fear of depletion as far as aluminum is concerned.



### Precision-machined Components and Related Businesses



### Major applications/customers

- Beverage cans 
- Automobiles 
- Aviation and aerospace 
- Shipbuilding 
- Pharmaceuticals/ Foods 
- IT 
- Air-conditioning 
- Construction 

# Contributing Widely to Society by Making the Most of the Potential of Aluminum

Aluminum's superb properties as a material are highly evaluated. As a result, the metal can be found everywhere in today's society, from our immediate surroundings to its use in state-of-the-art industries. Aluminum products manufactured by UACJ, which pledges to make broad-reaching contributions to society in its management philosophy, are used in a wide range of areas. They are being applied to help solve various social problems related to issues such as global warming and our aging society.

Strong/  
Lightweight

**Contributes to reducing the weight of automobiles and aircraft**

Lighter transportation equipment means higher fuel efficiency and lower CO<sub>2</sub> emissions. Taking advantage of two of aluminum's main characteristics—being strong despite being lightweight—UACJ supplies a wide variety of components, including structural materials that form the backbone of transportation equipment.

## Management Philosophy

The UACJ Group strives to offer products and services deserving of its customers' satisfaction and trust, and believes that sound and sustainable business development is key to making broad-reaching contributions to society.

Strong

Lightweight

Non-magnetic

Anti-corrosive

### Properties of Aluminum

Attractive

Easy to recycle

Resistant to low temperatures

Non-toxic



## ▶▶▶▶ Values



Non-magnetic

**Used in the magnetic disk substrates of hard-disk drives (HDDs)**

In today's sophisticated information society, IT devices require large-volume HDDs. Utilizing aluminum's non-magnetic property, UACJ produces blank panels used for large-volume magnetic disk substrates.

## Easy to recycle

### Recycling promoted through the widespread use of aluminum cans

Recycling resources plays a vital part in the creation of a recycling-based society, and aluminum fits the purpose as it is easily recycled into ingots. UACJ is contributing to society by promoting a shift in beverage containers towards greater use of aluminum and the widespread use of aluminum cans.

## Resistant to low temperatures

### Supplying LNG tanker materials resistant to low temperatures

Natural gas, which generates less CO<sub>2</sub> when it burns, is liquefied into LNG in ultra-cold conditions and then transported. Producing aluminum that withstands such extreme conditions, UACJ is the only supplier of giant thick plates for LNG tankers in Japan.



c r e a t e d b y U A C J



## Anti-corrosive/ Attractive

### Achieving safe, advanced-design structures

Aluminum has excellent resistance to corrosion and its strength can be enhanced through surface treatment, and it can be colored, too. UACJ products are used in advanced architecturally designed state-of-the-art buildings thanks to the Company's sophisticated processing technologies to create beautiful landscapes.

## Non-toxic

### Ensuring high levels of safety for pharmaceutical packaging foils

As the population ages in Japan and overseas as well, the medical and healthcare industries continue to flourish. Aluminum is harmless and odorless. In the unlikely event of elution, it will do no harm to human bodies. Thanks to these properties, UACJ foil products are used in pharmaceutical packaging to provide peace of mind.

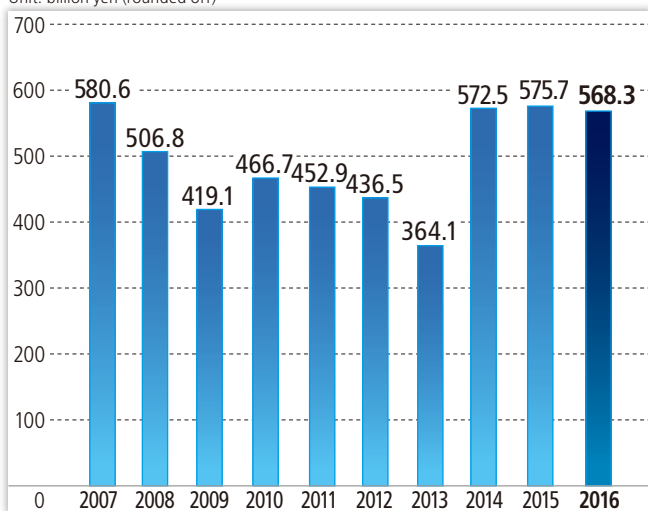


## Financial

### Profitability

#### Consolidated net sales

Unit: billion yen (rounded off)

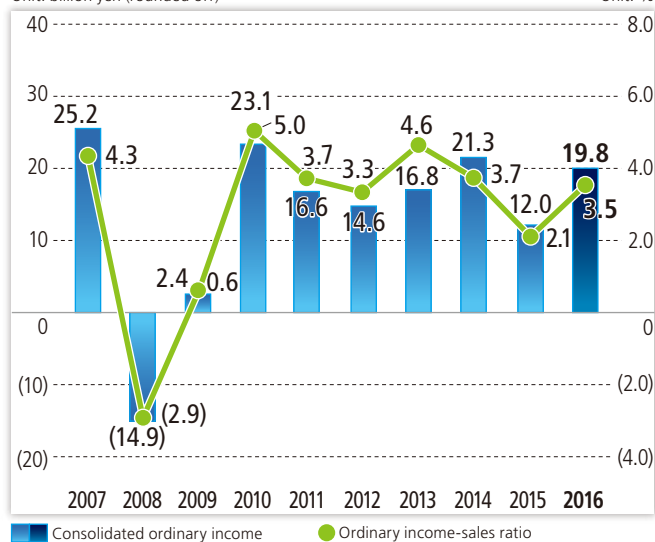


Sales are affected by the ingot market, as the prices of UACJ products reflect the combined primary aluminum ingot price and processing costs. In fiscal 2016, although year-on-year sales volume rose, sales value remained more or less the same as fiscal 2015 due to lower ingot prices and the negative impact of foreign exchange rates.

#### Consolidated ordinary income/ Ordinary income-sales ratio

Unit: billion yen (rounded off)

Unit: %

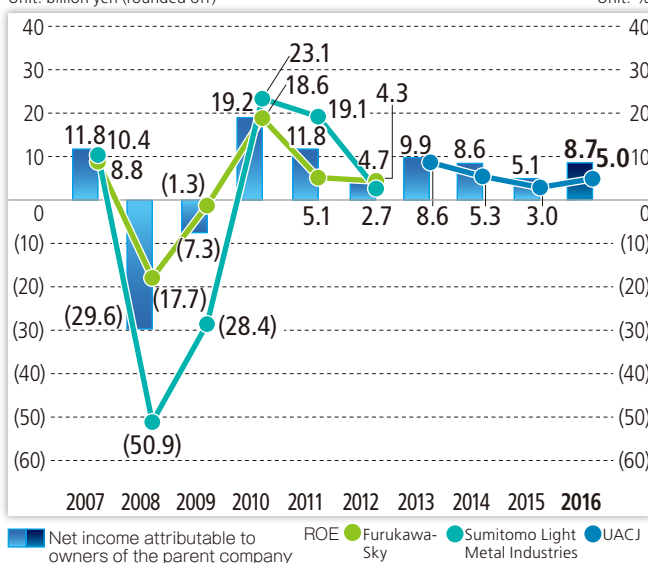


Fiscal 2016 saw a year-on-year rise in income thanks to fewer adverse effects related to lower inventory valuations accompanying the fall in ingot prices, as well as the impact realized by reducing costs.

#### Net income attributable to owners of the parent company/ROE

Unit: billion yen (rounded off)

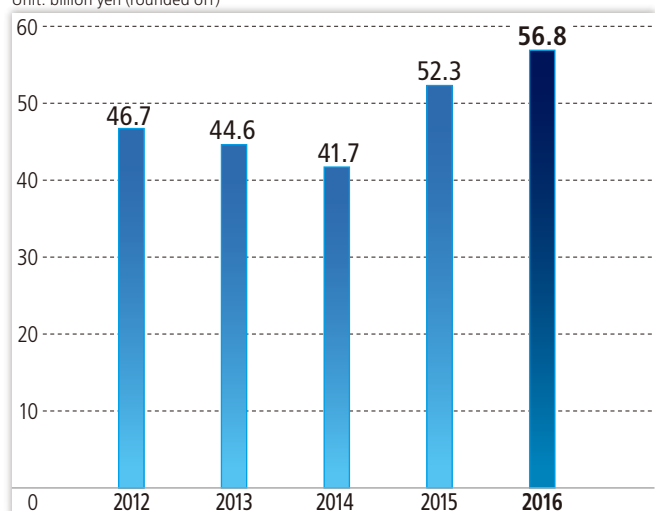
Unit: %



In fiscal 2016, an increase in ordinary income more than offset the effect of the non-recurrence of the insurance proceeds received at Logan Aluminum Inc., which was on the books last fiscal year. Consequently, both net income attributable to owners of the parent company and net income grew year-on-year, with ROE improving as well.

#### Adjusted EBITDA

Unit: billion yen (rounded off)



Adjusted earnings before interest, taxes and amortization (EBITDA) is determined after inventory valuations are deducted to discount the impact of fluctuations in primary aluminum ingot price so that it reflects real-term profitability.

In fiscal 2016, even without the benefit of improved inventory valuations, which were a major contributor to the rise in earnings, profit in terms of adjusted EBITDA increased for the third consecutive fiscal year. Adjusted EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill – Inventory valuations

Note: The UACJ fiscal year is from April 1 to March 31 of the following year. Fiscal 2016 is the year ended March 31, 2017

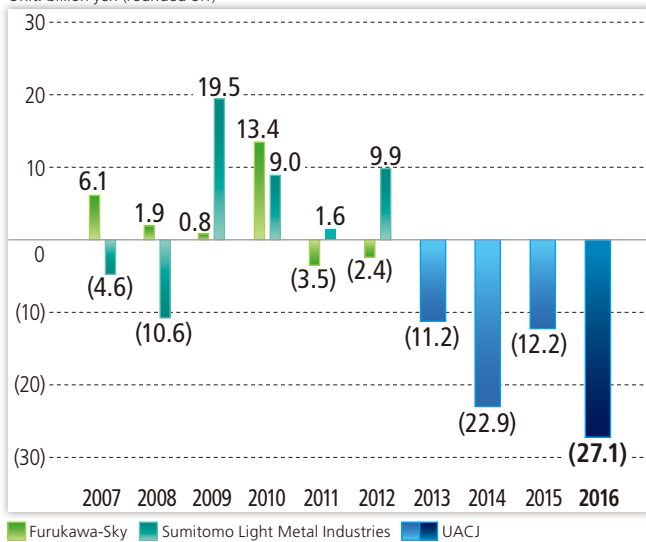
Accounting principles for notes maturing at the end of the fiscal year changed in fiscal 2013. However, the figures prior to retrospective treatment are shown for the main management indicators and other records prior to fiscal 2012. The figures before fiscal 2012 are a simple total of the two former companies, Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. In fiscal 2013, the figures reported for the first-half year are the amounts for both former companies, and those for the last half-year are the business results for UACJ.



## Investment in Safety and Growth

### Free cash flow

Unit: billion yen (rounded off)



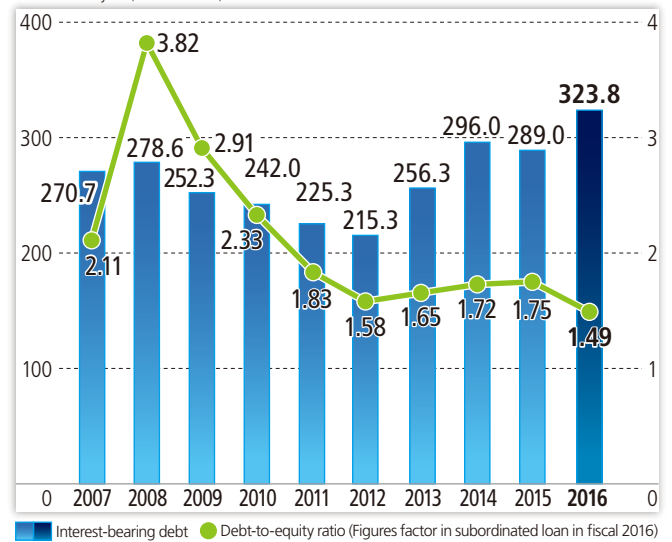
Free cash flow has been suffering continuous deficits since fiscal 2013 due to accelerated investment for global-scale growth. We will press ahead with management taking into account the need to ensure a balance between strategic investment and financial soundness.

Free cash flow = Operating cash flow + Investment cash flow

### Interest-bearing debt/Debt-to-equity ratio

Unit: billion yen (rounded off)

Unit: times

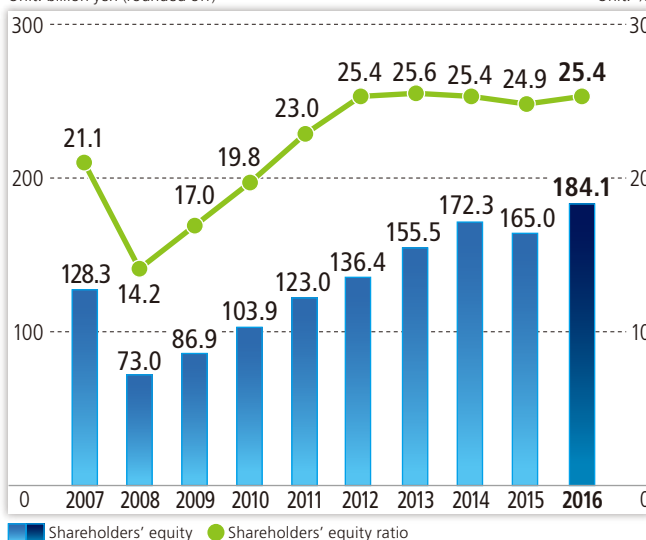


As a result of our aggressive investment, interest-bearing debt has been on the increase. However, we implemented measures in March 2017 to reinforce our financial foundation, including a capital increase through a public offering and the issuance of a subordinated loan, 50% of which is counted as equity by rating agencies. Thanks to these measures, the D/E ratio improved to 1.49 in fiscal 2016.

### Shareholders' equity/Shareholders' equity ratio

Unit: billion yen (rounded off)

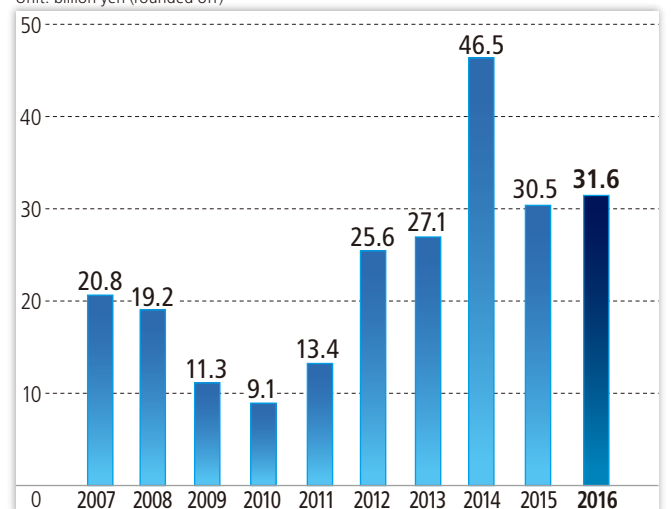
Unit: %



Shareholders' equity increased in fiscal 2016 as a result of the public offering amounting to ¥14.6 billion carried out in March 2017. Shareholders' equity improved accordingly.

### Capital investment

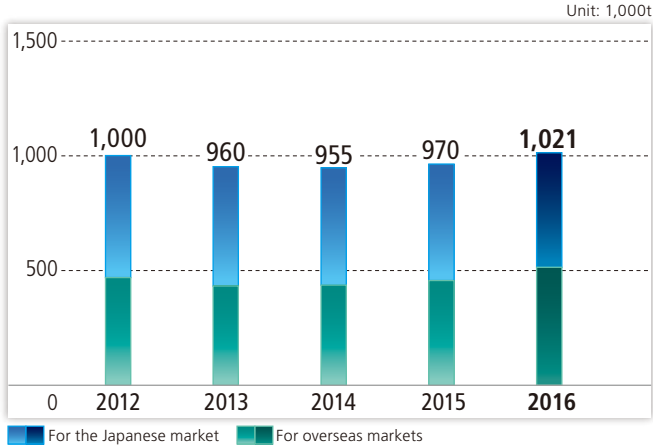
Unit: billion yen (rounded off)



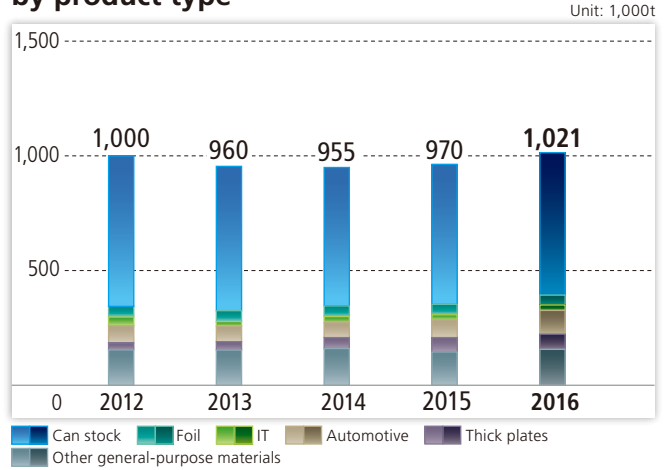
Capital investment soared in fiscal 2014 as the result of building the Rayong Works at UACJ (Thailand) Co., Ltd. In fiscal 2016, we concentrated our investment in casting facilities at Logan Mill in USA.

## Financial

### Flat rolled product sales volume

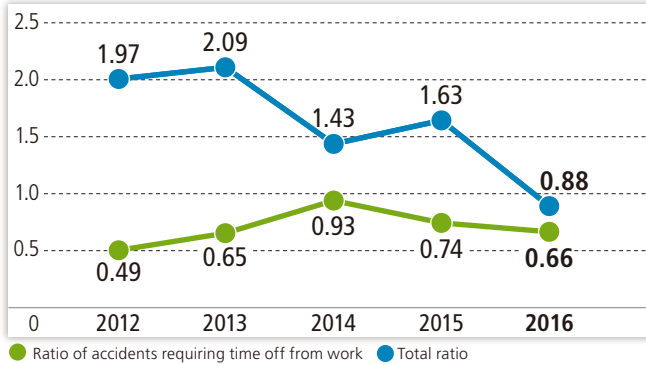


### Flat rolled product sales volume by product type

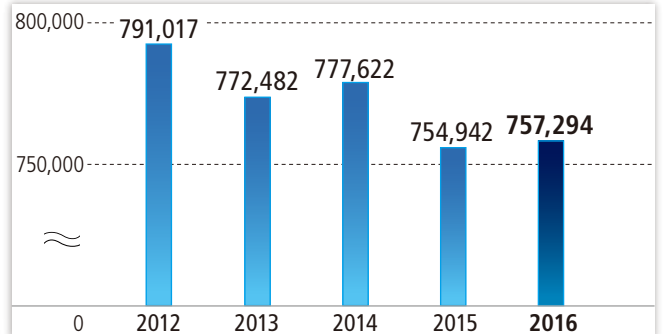


## Non-Financial

### Workplace accidents

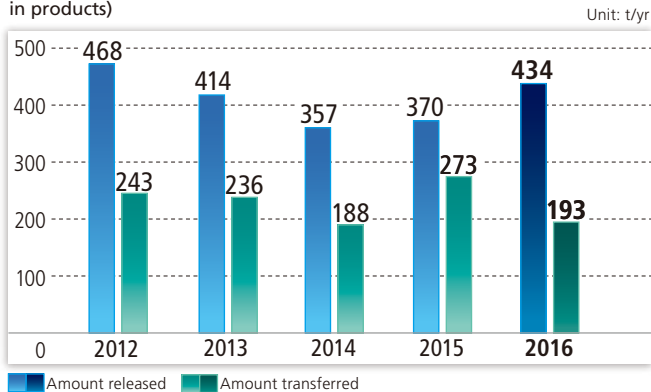


### CO<sub>2</sub> emissions\*

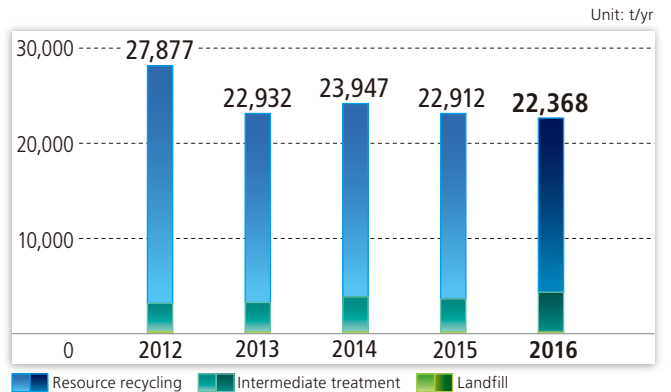


### PRTR substance emissions and transfer\*

(including manganese, chromium, nickel and lead alloy elements in products)



### Industrial waste volume\*



Note: The UACJ fiscal year is from April 1 to March 31 of the following year. Fiscal 2016 is the year ended March 31, 2017.

The figures before fiscal 2012 are a simple total of the two former companies, Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. In fiscal 2013, the figures reported for the first-half year are the amounts for both former companies, and those for the last half-year are the business results for UACJ.

\* Measurement scope: UACJ (Nagoya, Fukui, Fukaya, Nikko), UACJ Color Aluminum, UACJ Extrusion Nagoya (Nagoya, Anjo), UACJ Extrusion Oyama, UACJ Extrusion Gunma, UACJ Extrusion Shiga, UACJ Foundry & Forging, UACJ Foil (Shiga, Nogi, Isezaki), UACJ Copper Tube

**We believe that a changing environment offers opportunity for new growth, through which we will enhance our global competitiveness even further**



**Mitsuru Okada**

Representative Director &  
President



## Message from Management

We believe that a changing environment offers opportunity for new growth, through which we will enhance our global competitiveness even further

### Changing Environment Reveals Opportunities for New Growth

Reflecting on the last four years since UACJ embarked on its new challenge of aiming to become an aluminum industry leader in a competitive global market, I strongly sense how rapidly things have changed in that seemingly short period. The environment surrounding the worldwide aluminum industry has undergone dramatic change; more than we could have ever anticipated, including impressive growth in Asian and emerging markets and the accelerated demand for aluminum automotive materials. At UACJ, we see these changes in the environment as prime opportunities for new growth, and have therefore focused on strengthening our foundation to compete internationally as a global company.

## Seeking Opportunity in Change as Source of Growth

In fiscal 2016, we concentrated on enhancing our global supply network, the pillars of which are Thailand and North America. UACJ (Thailand) Co., Ltd. (UATH) has an annual production capacity of 180,000 tons and a clientele of over 50 companies reaching from the Middle East to Australia, and including Southeast Asia. In-house market research indicates that the combined demand for can stock in Asia (excluding Japan and China), Australia, the Middle East, India and Africa is likely to increase from 880,000 tons in 2014 to 1.25 million tons in 2020.

Encouraged by the positive prospect for future demand, in November 2016, it was decided to implement a third phase of investment in Thailand. This will raise the annual production capacity at UATH to 320,000 tons. As a result, the UATH Rayong Works is set to become one of Asia's leading plants, with production capacity, product quality and cost competitiveness matching those of the Nagoya and Fukui Works. In addition, we believe it will help us achieve the consolidation of our presence as a global supplier. In doing so, we are ensuring the can manufacturers calling for global supply networks that we are capable of providing materials from our three hubs, Japan, North America and Thailand.

### Positioning of Mid-term Management Plan

Fiscal 2015-2017

**Reinforce foundation**

Global Step I  
Mid-term management plan

Fiscal 2018-2020

**Accelerate growth**

Global Step II  
Next mid-term management plan

Fiscal 2021 onward

**Advance**

Global Step III  
Vision for the future

### Major Policies of the Global Step I Mid-term Management Plan

**1** Expand growth products in the transportation field—focusing on automobiles—and the energy field, and strengthen business in growth regions such as Asia

**2** Construct an optimal production network for each business sector utilizing the synergies created through unification

**3** Develop unique technologies and products by applying our vast technological prowess to fundamental research

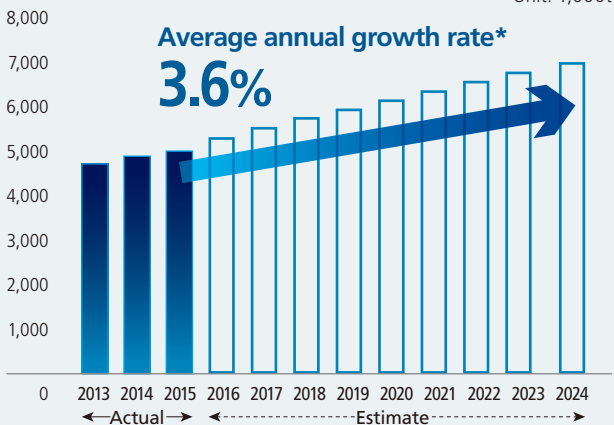
In North America, we entered a joint venture with European company Constellium N.V. and established Constellium-UACJ ABS LLC (CUA) in 2014. CUA is at the center of our efforts to enter the automotive body sheet market during the current period of rapid growth in the industry. Obtaining materials from the Logan Mill of Tri-Arrows Aluminum Inc. (TAA), which boasts the world's highest production efficiency, our new North American entity began shipping samples and selling products to automobile manufacturers in June 2016.

Furthermore, thanks to the growing demand for lighter vehicles, in addition to being used for automotive body sheets, the application of aluminum is expanding to use in structural materials, such as chassis. It is amidst such trends, in April 2016, Whitehall Industries, recognized as North America's No.1 brand in structural materials and parts, became UACJ Automotive Whitehall Industries, Inc. (UWH). Approximately 3 billion yen is set for investment in UWH with the aim of improving production efficiency and quality, and boosting earnings through the introduction of state-of-the-art machinery and equipment. The UACJ Group plans to continue increasing its presence as a supplier of automotive body sheet and structural materials in the North American market.



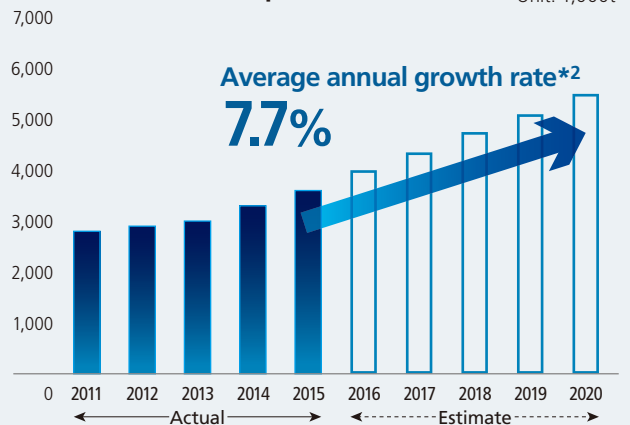
While the demand for automotive body sheet and structural materials continues to grow in the North American market, there is concern that there may be a shortage of can stock materials as aluminum suppliers shift their focus towards supplying automotive materials. TAA is placing an emphasis on increasing production capacity and keeping costs down through a shift toward the in-house production of slabs. Following a capital expenditure of 240 million dollars in October 2015, in

**Aluminum sheet demand for cans around the world**



\*Average annual growth rate from 2015 to 2024  
Source: CRU

**Aluminum sheet demand for worldwide transportation\*1**



\*1 Collective terms for automobiles, aircraft, ships, etc.  
\*2 Average annual growth rate from 2015 to 2020  
Source: CRU

## Message from Management

We believe that a changing environment offers opportunity for new growth, through which we will enhance our global competitiveness even further

November 2016, the UACJ Group decided to invest another 175 million dollars. This aggregate spending should help boost the annual production capacity at TAA from the current 320,000 tons to 400,000 tons by 2019. Through these efforts, we are aiming to establish a production foundation that ensures an ongoing supply of base materials for automobiles without sacrificing our supply capacity for can stock.

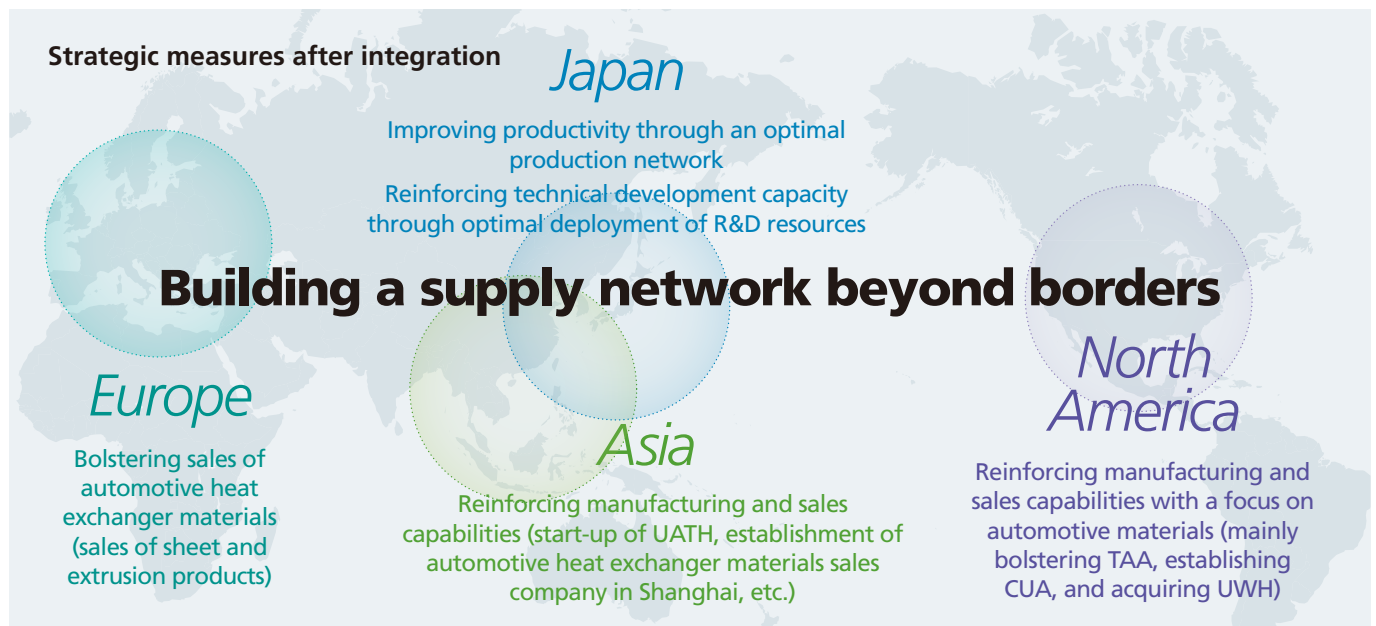
In Japan, our initiative to optimize the production network has progressed mostly on schedule, and was more or less completed before the end of fiscal 2016. On the R&D side, resources have been consolidated at our R&D base in Nagoya, where new product development and the strengthening of next-generation basic technologies are underway. As a result, automotive body parts have been developed making the most of an innovative joining technique, and we took part in a large-scale national project that came to fruition in the form of the successful development of a high-strength, highly durable aluminum alloy for aircraft. We are consistently creating new products and technologies with added value.

In fiscal 2016, we aggressively carried out the afore-mentioned strategic investments in Japan and abroad with the aim of achieving further growth as a

global company. Consequently, the sales volume for the fiscal year exceeded that of the previous year, surpassing the 1 million ton mark for the first time since integrating management. In value terms, however, sales were affected by the negative impacts of foreign exchange rates in the wake of a stronger yen and a drop in ingot prices. As a result, sales fell to 568.3 billion yen, down 7.4 billion yen year-on-year. At the profit level, due to an improvement in inventory valuations, a lower per unit cost of energy, cost reduction synergies resulting from integration, and improved earnings at UATH, operating income surged to 25.9 billion yen, up 10.7 billion yen year-on-year. Ordinary income was up 7.8 billion yen year-on-year, for a total of 19.8 billion yen. Net income attributable to owners of the parent company also increased, 8.7 billion yen, up 3.6 billion yen year-on-year.

### Contributing More to Society and the Environment by Pursuing the Use of Aluminum in Potentially New Ways

Aluminum is widely used in modern-day society, but it is, as a matter of fact, a relatively new material that has only been used by humans for about 200 years. Because of this relatively short history, there is plenty of opportunity for new applications to be explored with





# “Solving Social Issues with Aluminum”

fresh ideas and innovative technologies.

The UACJ Group believes that the ultimate mission of the aluminum manufacturer is to bring the maximum potential out of the material, and in doing so, help solve various social issues. With this in mind, we continue to work on the development of diverse technologies and applications. For example, in the development of automotive body sheet, we stepped beyond simply reducing the weight of an automobile by replacing iron with aluminum. With the aim of creating new added value—ensuring higher assembly process productivity by introducing a new joining technique—the UACJ Group is focusing on technological developments while working with automotive manufacturers. We are convinced that we can continue creating innovative new technologies and products in a wide range of areas, including machinery, electronics, environment and energy, as well as the automotive and aerospace industries, by pursuing the potential of aluminum.

We are also continuously working on the innovation of manufacturing processes for aluminum itself. Needless to say, our goal is to steadily improve all processes, such as casting, hot rolling, cold rolling and finishing, by reviewing each process individually. We are also studying how to reduce costs by simplifying processes and lowering energy consumption.

The promotion of aluminum recycling is also a vital issue for reducing environmental load. At TAA, in the USA, which leads the way in this initiative, about 80% of the raw materials are supplied through recycling. This means that the company contributes to saving resources, as well as reducing raw material use and lowering energy costs. Going forward, we plan to aggressively push forward with our recycling efforts throughout the UACJ Group by introducing the recycling technologies and expertise regarding the recycling chain developed at TAA to other plants.

## **Promoting a Shared Vision and Strengthening Development of Human Resources as a Truly Global Company**

The business fields of the UACJ Group have undergone significant expansion since integration. The previously mentioned expansion of operations in Thailand and North America would not have materialized had it not been for having sufficient corporate strength to compete with major aluminum manufacturers around the world; and that we achieved through integration. Following integration, UACJ has ventured to challenge new business at the global scale, something that a majority of our employees had never experienced. In addition, as a result of our aggressive strategic investments in recent years, many new people have joined the UACJ Group, mainly in North America and Asia. As our businesses expand rapidly around the globe, it is not an easy job to manage each group company properly and fully draw out the capabilities of our human resources with all of their diversified values.

Accordingly, we came up with a clear vision for the UACJ Group after integration. As a part of this, we strive to create and ensure work environments that enable effective partnerships among people and organizations, beyond differences in nationalities and companies, so that each employee can demonstrate her/his full capacity. As a company grows and its business areas expand, the difficulty of this task increases. However, this is an inevitable issue that the UACJ Group must manage to become a truly global company. We have thus



## Message from Management

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focused on it as a priority measure.

Now approximately four years since integration, I can see that the sharing of our vision has steadily progressed and disseminated throughout the group companies, in Japan and overseas. The cooperation among organizations and employees is producing fruit, but the goal has not yet been fully achieved. For instance, at UATH in Thailand, even though production came online not so long ago, operations are now almost all in the hands of local staff alone. Local employees are actively playing a major role in proposals for improvement. Our objective of a monthly production of 10,000 tons has been achieved. In 2019, when the third phase of investment begins, we should see even smoother, more efficient operations up and running.

I am sure that those who worked for Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries also developed their abilities during times of significant change, including the dramatic reorganization following management integration and the subsequent shift of our business focus towards growth regions and



fields. During that period, each of them had new experiences and learned new ways of thinking.

Instead of working at the same job for a long period of time, change, such as taking on a new assignment or working with new people or a new organization, opens up new opportunities for exponential growth. In the UACJ Group, we promote change deliberately with the objective of creating an environment where employees can improve their skills, discover their talents and consistently enhance their capabilities.

One such initiative is attempting to increase personnel exchanges globally. The exchange of opinions between engineers has already been lively among UACJ manufacturing bases, the Research and Development Division, and TAA in North America. We are hoping to extend this to the revitalization of personnel exchanges that include CUA, UWH and other subsidiaries. At UACJ, we believe that the aggressive overseas investment

# “ True Integration through Sharing and Alliances ”

### UACJ Group's Vision for the Future

#### Slogan

Maximize the possibilities of aluminum in ways that contribute to society and the environment

#### Goals

- To be a global company respected by all stakeholders, capable of coexistence and continuously evolving
- To be a global company that is appreciated and valued by customers worldwide
- To be a global company that establishes itself locally in each region and appropriately develops and supplies products suited to the characteristics of the local regions

completed to date cannot produce the intended effects without having worldwide exchanges and dispatching personnel. In order to facilitate this movement, we are currently constructing a “human resources bank” network that holds information as to what technologies, skills and work experiences are possessed by members of each overseas Group company.

Furthermore, if we are to become a truly global company, we must change the way we work. Although it is impossible to simply compare Japanese companies with their overseas counterparts as there are differences in some points, including division of duties, it is certain that there is still room for improvement in white-collar productivity in Japan. In the future, we will seek to reduce working hours and improve in productivity by examining specific tasks through comparisons with overseas subsidiaries and utilization of the latest information technologies, such as the Internet of Things (IoT) and artificial intelligence.

Strengthening corporate governance is another important managerial issue for a global corporate group. At UACJ, we have concentrated on increasing the responsibility of the Board of Directors to supervise management and hold Corporate Social Responsibility Committee meetings, as well as ensure thorough compliance and risk management. We will continue to create and maintain an environment that enables outside directors and auditors to discuss UACJ management more actively from various viewpoints by providing them more frequent opportunities for free discussions. Through these measures, we are pursuing the actualization of more effective governance.

### **Actively Implementing New Growth Strategies While Steadily Incorporating Benefits from Past Investments**

Entering the final year of our mid-term management plan, we are now formulating the next mid-term management plan, “Global Step II,” for fiscal 2018-2020. Aggressive growth measures are expected to continue under the new plan. At the same time, I believe that incorporating what the Group has gained so far from its investments will take us to the next growth stage. We will focus on automotive-related business in North America and increasing the profitability of operations at UATH. Domestically, as

## **Next Growth Stage Based on Experiences**

establishment of an optimal production network has more or less been completed, the next step will be to implement new growth strategies, such as bolstering the foundation of our business in automotive body sheet, for which demand is expected to grow, and introducing the UWH model to the Japanese market.

Another important issue is pursuing the synergies generated through business integration at higher levels. Since integration, business amalgamation domestically and overseas has been progressing smoothly. However, it seems that we are currently at the stage of “physical reaction,” where employees from the two integrated companies, and organizations and employees that have joined the UACJ Group through M&A, have blended in well and a harmonious state has been created. From now on, we encourage “chemical reactions,” which will be triggered by the cooperation of employees who have different technological and business backgrounds, through the aforementioned exchanges and personnel dispatch globally. It is hoped that this will create technological innovation and new business value.

The UACJ Group will continue on the path of becoming a major aluminum industry leader with a globally competitive edge by proactively and consistently responding to changes in the business environment.

Your continued guidance and support in the future is sincerely appreciated.



# Reinforcing Foundation for the Leap Forward

The UACJ Group regards the Global Step I Mid-term Management Plan as the means for reinforcing its foundation to achieve the UACJ Group Vision for the Future; that is, establishing a supply network with a globally competitive advantage mainly through enhancing supply capacity in growth fields and regions. In fiscal 2016, we reached one of our goals, a monthly production capacity of 10,000 tons at the Rayong Works of UACJ (Thailand) Co., Ltd. Other advancements include Constellium-UACJ ABS LLC (CUA), a joint venture with Consellium N.V. in North America that has begun full-fledged operation, and in Japan, we completed the optimization of our production network. In fiscal 2017, we intend to ensure the completion of Global Step I.

## Global Step III

### Onward

Fiscal 2021 onward  
Vision for the future

## Global Step II

### Accelerate growth

Fiscal 2018-2020  
Next mid-term management plan

## Global Step I

### Reinforce foundation

Fiscal 2015-2017  
Mid-term management plan

Optimal production network established in Japan as product mix reallocation nears completion  
P37

CUA, a manufacturing and sales company of automotive body sheet in USA, began operations  
P25

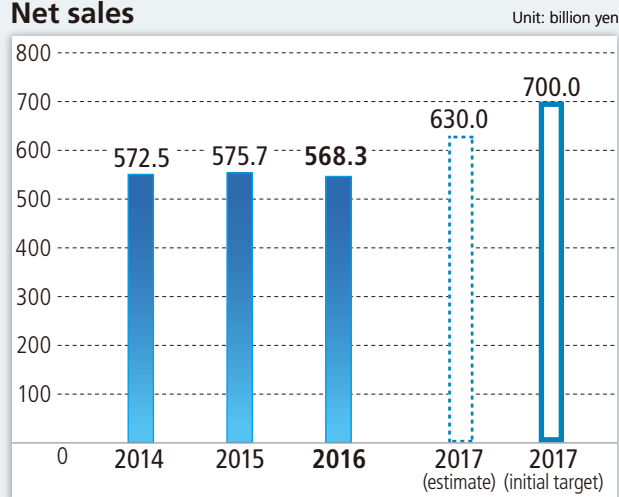
#### Achievements in Fiscal 2016

Rayong Works of UATH in Thailand achieved monthly production of 10,000 tons in October  
P35

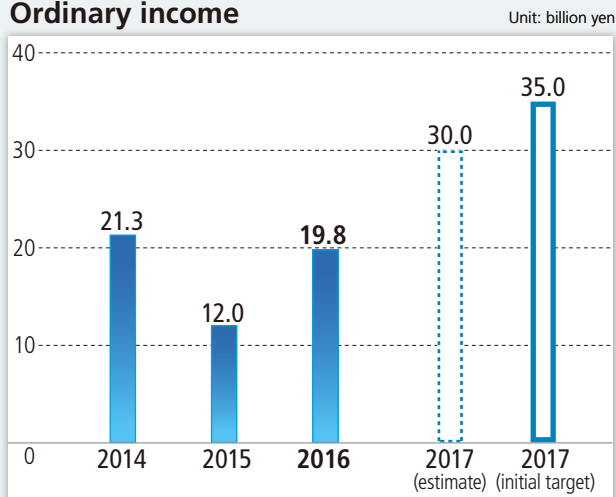
Automotive Business Development Division newly established  
P28

## Working Toward mid-term management plan targets

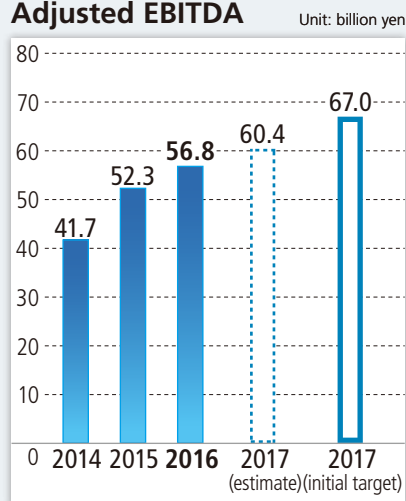
### Net sales



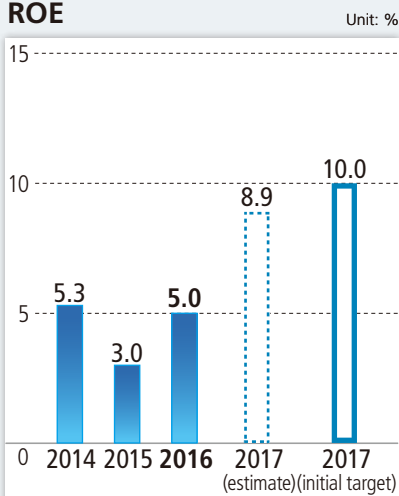
### Ordinary income



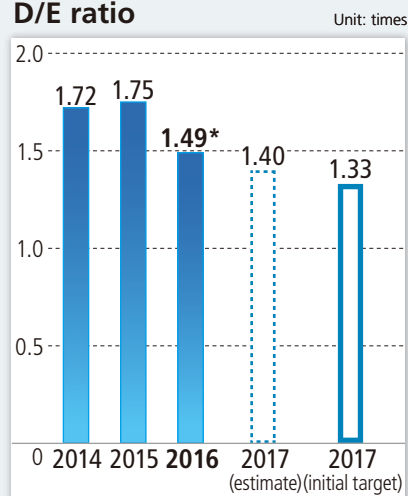
### Adjusted EBITDA



### ROE



### D/E ratio



\* Figures factor in subordinated loan

In fiscal 2016, we made good progress in strengthening our supply network in the focus regions of Thailand and North America. The Rayong Works in Thailand achieved monthly production of 10,000 tons. As a follow-up to this success, it was decided to make an additional investment to further increase production capacity. In North America, where the automotive body sheet joint venture started operation in earnest, additional investment was given the go-ahead for the Logan Mill of TAA, a supplier of can stock. Meanwhile, the reallocation of product mix has almost been completed in Japan, marking the establishment of an optimal production network.

Taking a look at earnings indicators for our targets, sales declined due to lower primary aluminum ingot prices and the adverse effect of foreign exchange rates. However, ordinary

income rose owing to improved inventory valuations and reduced costs stemming from the effects of integration. Adjusted EBITDA and ROE also increased. In addition, the D/E ratio has improved to its healthiest level in the last 10 years as a result of issuing a subordinated loan—50% of the funds raised being counted as equity by rating agencies—and a capital increase through a public offering in March 2017.

In the future, we will continue to press forward with our growth strategies while taking into consideration a balance between investment for growth and strong financial positions. Although we are likely to fall short of the initial target set forth by the mid-term management plan in December 2014, fiscal 2017 is expected to see rises in both sales and income. All of the earnings indicators should consequently improve.

Note: The UACJ fiscal year is from April 1 to March 31 of the following year. Fiscal 2016 is the year ended March 31, 2017.

# Aiming to become a true leading company through aggressive investment while taking balance in financial circumstances into account

The UACJ Group has been working to build a foundation for global-scale businesses with the aim of becoming a major aluminum industry leader in a competitive global market.

Mr. Nakano, Senior Managing Executive Officer, and Mr. Hasegawa, Managing Executive Officer, discuss the background of the Group's aggressive investment strategies since integration, its decision-making processes, and future issues.

## Driving Aggressive Strategic Investment to Capture Business Opportunities, while Considering Financial Soundness

—UACJ has been implementing large-scale investments mainly in North America and Asia since the merger. What do you think about the investment strategy to date?

**Nakano:** The main reason for our active large-scale investments is that we believe the global aluminum industry is currently entering a major growth phase. In recent years, economic growth in emerging markets such as Southeast Asia, India, the Middle East and Africa has led to an increase in demand for can stock and

general materials. Meanwhile, in developed countries as well, demand for aluminum panels and structural materials is rapidly expanding in line with the call for lighter vehicles. These are signs of a big opportunity, one matching that which came around 1990 when steel beverage cans were replaced by aluminum cans. It could turn out to be an even bigger chance than that.

**Hasegawa:** It is imperative to ensure that we take advantage of the waves of change and deliver business growth. Expecting a solid increase in demand in the surrounding areas, it was decided to implement a third phase of capital investment in Thailand, where our Asian hub, UACJ (Thailand) Co., Ltd. is situated. In the North American market, too, we established the joint



Big opportunity equaling aluminum replacing steel in can stock

Mr. Nakano

Takayoshi Nakano

Director, Member of the Board  
Senior Managing Executive Officer  
Responsible for Global Business Strategy Department and Public and Investor Relations Department  
President and Director, Tri-Arrows Aluminum Holding Inc.

venture Constellium-UACJ ABS LLC (CUA) to promote our automotive body sheet operations. In addition, we welcomed a leading company in the automotive structural materials and parts industry to the UACJ Group and made it a subsidiary, UACJ Automotive Whitehall Industries, Inc. (UWH).

**Nakano:** At the same time, we made investments at the Logan Mill of TAA in order to increase the capacity for supplying can stock and base materials for automobiles in the North American market. We will consider additional investment in the afore-mentioned automotive body sheet operations at CUA and structural materials and parts operation at UWH depending on the increase in demand. Moreover, following the trend in North America, the market for automotive body sheet and structural materials will undoubtedly grow in Japan and other parts of Asia. It is imperative for us to continue to invest in these growth markets and fields in order to secure market share.

**Hasegawa:** Absolutely. It goes without saying that we need to continue investing proactively. However, in order for UACJ to ensure sustainable growth as a global company, it is essential to maintain a healthy financial position while simultaneously pursuing business expansion through upfront investments.

**Nakano:** In the past four years since integration, our stance was that it was an important phase of investment

for future growth and upfront investment was prioritized. As a result, free cash flow has been negative. However, we cannot allow this situation to continue forever. We have to take balancing our overall financial position into consideration; for example, by trying to expand the profits from businesses we have invested in so far.

**Hasegawa:** Aggressive upfront investment means accumulating promising assets. On the other hand, there are risks in doing this too. Even though individual projects may be very promising assets from a long-term perspective, if they are unable to generate profits as planned, the financial balance can suffer as a result. Therefore, it is vital to manage them using the PDCA cycle.

**Nakano:** None of our investment projects are given the go-ahead without thorough discussions and examination. Nonetheless, there is a risk that assumed external conditions could change more dramatically than anticipated and this may produce some divergence from our plans.

**Hasegawa:** As the person responsible for finance and accounting, I think that it is paramount for the company, and the Group as a whole, to have a solid financial foundation in place that enables us to continue growing without problems, even when things don't go as planned.

**Nakano:** As part of our efforts to reinforce the financial foundation, in March, we raised funds amounting to around 55 billion yen through a new



## Balance of aggressive investment and financial health is essential

Mr. Hasegawa

### Hisashi Hasegawa

Director, Member of the Board  
Managing Executive Officer  
Responsible for Finance and Accounting Department and  
Corporate Planning Department



stock issuance of around 14.6 billion yen and taking on a subordinated loan of 40 billion yen.

**Hasegawa:** From the financial viewpoint, had we relied totally on the public offering, shareholder equity would have been bolstered, thereby increasing financial security. On the negative side, it would have led to greater stock dilution. Therefore, we thought that simultaneously securing funds through a subordinated loan, which has an intermediary nature between assets and debts, would ensure that dilution was restricted to a minimum, thereby enhancing the stability of our financial foundation.

**Nakano:** In November 2016, it was decided that the projects in Thailand and North America require funding. An important management issue is that we ensure stable financing while maintaining a healthy financial position.

### —What do you think about UACJ's governance regarding important decision-making such as strategic investment and financing?

**Nakano:** UACJ's decision-making processes are distinguished by thorough internal review at department-level meetings in addition to review during BOD and auditors meetings that include outside directors and auditors' respectively. This is the result of the management integration at the time of establishing UACJ. Every agenda item has to be thoroughly explained and discussions must follow proper procedures. Otherwise, things do not move forward. I think this is very good in terms of governance. Additionally, among internal board members, some are looking at new investments from the strategic planning perspective, like me; while others attach importance to financial disciplines, like Mr. Hasegawa. As there are different

opinions internally, I think this is one of the features of our decision-making processes that enables us to maintain a fine balance between braking and accelerating. As a consequence, there is little risk of getting carried away.

**Hasegawa:** Personally, I am not against investing, but I never hesitate to express my opinion either. Regardless of how attractive an investment may seem, what really matters is whether or not it is really the best option at this moment in time among the many investment projects in the pipeline.

**Nakano:** Through serious discussions where these different views are vigorously exchanged, decisions are finally made. So, by the time a project is brought up for discussion at a board meeting, the stage should be set for making a decision with conviction.

**Hasegawa:** We want to maintain this culture, where we can speak freely and different opinions are respected.

### On the Road from Improvement towards Innovation—Challenges for 21st Century Manufacturers

#### —Finally, please share your views on future issues for UACJ with us.

**Hasegawa:** Since integration, we have been focusing on strategic investment for future growth, and this restricted our investment in general maintenance of facilities. However, in order for UACJ to achieve medium- to long-term growth in the future, it is necessary that the maintenance of existing plants and equipment be carried out as well. There will also be a need for major facilities renewal at some stage, alongside business measures and R&D.

**Nakano:** In the manufacturing industry, the effort to

We progressed tangibly.  
Next is intangible  
infrastructure for 21<sup>st</sup>  
century manufacturing

Mr. Nakano



introduce more sophisticated factory floors is intensifying. This includes using IT, such as the Internet of Things, big data and 3D printers, and movement is focused on process- and assembly-oriented sectors such as electronics and automobiles. Maybe the aluminum industry, too, will eventually face the need to update plants from “20th century” production lines to “21st century” production lines?

**Hasegawa:** Absolutely. I think that behind calls for innovation on the factory floor, it is not only the aim to improve productivity and business competitiveness, greater change in the social environment is also being witnessed. As labor forces shrink due to falling birthrates and aging populations, we will see more female and older workers in the manufacturing industry, among other sectors. Although many types of work have been mechanized and automated, there are still some jobs that must be done by human hands. Therefore, we need to reform the working environment so that female and elderly workers who are not as strong as adult males will be able to work effortlessly and safely.

**Nakano:** Furthermore, as our operations expand abroad, there will be more people coming to work at offices in Japan in the form of trainees from the overseas group companies in Southeast Asia and other regions, or possibly remaining in Japan to work at UACJ after studying here. In order to ensure that these people can fulfill their potential, we have to build a system in which production facilities can be operated without difficulty, even by those who do not write or read Japanese.

**Hasegawa:** In other words, the creation of new factories and offices is required to cope with social change, such as the diversification of human resources and globalization. Needless to say, such efforts should

be extended at the global scale beyond Japan.


**Nakano:** Since integration, UACJ has been focusing on the construction of a global business network through aggressive upfront investment. As a result, tangible infrastructure at production bases and other facilities has improved and the depth of our human resources has also been enhanced. From now on, in the second phase, we must further strengthen the intangible infrastructure; for example, make the most of cutting-edge IT, and reinforce human resources and organizations. Through these measures, we need to pursue sophisticated operations fit for a 21st century manufacturer.

**Hasegawa:** In order to ensure that the entire Group can press forward with such innovation, we are going to keep a close eye on the management of Group companies, both in Japan and overseas. Additionally, in order to ensure effective governance of the Group as a whole, it is important that a shared vision and values are thoroughly understood by every director and employee alike.

**Nakano:** At UACJ, strong attachment to “manufacturing”, which was cultivated by the two former companies prior to integration, is still handed down constantly. For instance, if income has improved by 10 billion yen, we definitely prefer it coming from the pursuit of manufacturing rather than accounting gains stemming from inventory valuation. No matter how far our businesses expand across the world, or how big the company becomes, our values, in which the basics of manufacturing—producing and delivering products that please customers—are found, remain the same.

**Hasegawa:** Eventually, it leads to contributing to society.

**Nakano:** Our goal is for UACJ to venture into 21st century manufacturing with the entire Group maintaining these values.

A photograph of Mr. Hasegawa, a man with glasses wearing a blue suit and tie, sitting in a black office chair and gesturing with his right hand while speaking. The background is a plain, light-colored wall.

Creating factories and offices that utilize diverse human resources and globalization Group-wide

**Mr. Hasegawa**

# Automotive Materials Business Taking Advantage of Group Value

Automotive materials are a strategic product and identified as one of the major policies in UACJ's mid-term management plan, "Global Step I."

In addition to the prospect of continued growth, the strengths of UACJ, which has six different operations, can be utilized in this area.

We are currently working to reinforce our supply network and R&D activities in order to respond to the expanding market.

## UACJ Strengths

### Supplying a Wide Variety of Aluminum Products That Support Improving the Environmental Performance of Automobiles

With environmental issues in the spotlight, environmental regulations have been tightened on cars around the world in recent years. All automotive manufacturers are focusing on reducing emissions and improving fuel efficiency. To achieve these objectives, it is essential to reduce the weight of the vehicle body and improve the combustion efficiency of engines. To this end, automotive manufacturers are seeking to reduce the weight of vehicles by using different materials for parts, bodies and other components. In the midst of such a trend, aluminum is attracting attention because of its light weight, having a specific gravity as low as approximately one-third that of iron.

In addition to being lightweight, aluminum's characteristics include excellent strength, workability, erosion resistance, thermal conductivity, and recyclability. Because of these properties, to date it has been used in a large number of key parts such as engines, transmissions, and wheels. On the other hand, for body panels and frames, the use of aluminum has been limited to some special cars, partly due to cost restrictions. However, ahead of the introduction of more stringent fuel economy standards across the globe in 2020 and thereafter, aluminum body sheet and frames have been recently finding their way into

some mass-produced models of high-end sedans and sports cars. Aluminum is expected to be introduced for use in other parts through technological development in the future and adopted for a wider variety of components.

Amidst these trends, UACJ is producing an extensive range of automotive aluminum parts by drawing fully upon the strengths of technological prowess and expertise that the company has accumulated through its six businesses. By taking advantage of this feature, having been involved in as many as six different business domains and producing a wider variety of aluminum parts required by the automotive industry, UACJ aims to enhance its presence as a solution provider in the drive for lighter cars and to help improve the environmental performance of automobiles.

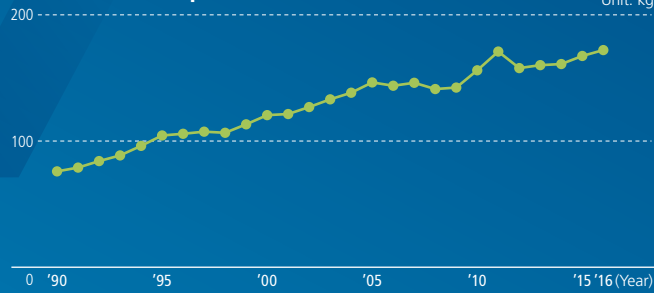


Fuel efficiency standards in Japan, US and Europe Unit: km/l



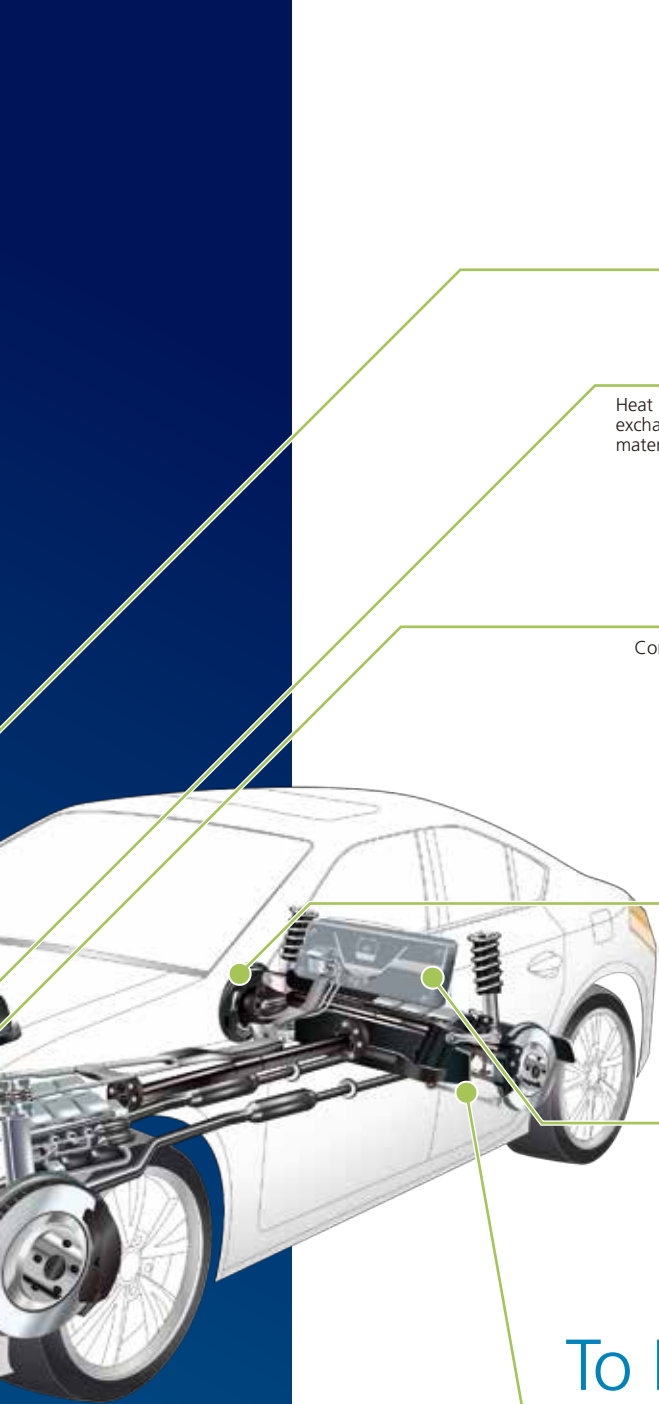
Source: Jidosha Alumika linkai (Automotive Aluminization Committee) of Japan Aluminum Association

Aluminum used per car Unit: kg



Source: Japan Aluminum Association website  
Note: The amount of aluminum used per car denotes total automotive aluminum product volume divided by Japan's automotive production volume.





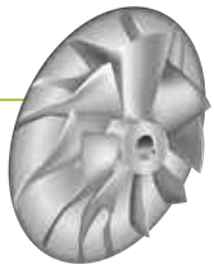
Hood

### Flat Rolled Products Business



Heat exchanger materials

Casting products, including doors, bonnets, and roofs, and heat exchanger materials, etc.



Compressor wheel

### Casting and Forging Business

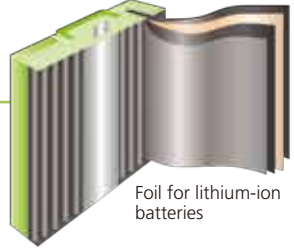
Turbochargers, compressor wheels, etc.



Commutator

### Copper Tubing Business

Motor armatures for automotive electronics (commutators)

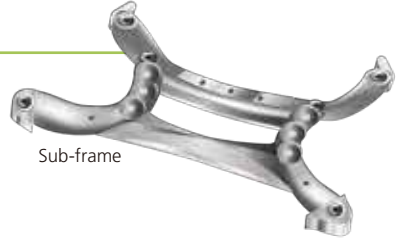


Foil for lithium-ion batteries

### Foil Business

Materials for positive/negative electrodes in lithium-ion batteries (aluminum foil, copper foil)

# To Become a Solution Provider for Lighter Cars Utilizing the Advantage of Six Businesses



Sub-frame

### Extrusion Business

Heat exchanger materials and structural materials that require strength, such as sub-frames



Bumper

### Precision-machined Components Business

Bumpers, subframes, etc.





UACJ Today

# Producing Synergies through Aggressive Investment in Growth Markets and the USA

## Establishing a Foundation for the Automotive Materials Business through Effective Investment Based on TAA

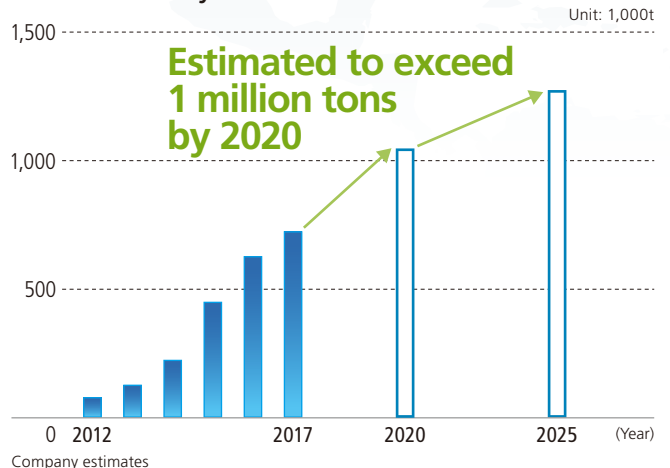
UACJ started full-fledged entry into the US market, the world's largest market for aluminum cans, in August 2011, before integration began. This move started with the acquisition of present-day Tri-Arrows Aluminum Inc. (TAA), which holds 60% share of the Logan Mill, the world's largest aluminum rolling mill. That event marked a huge step for UACJ towards becoming a global manufacturer of can stock.

North America is currently attracting a great deal of attention as a new growth market for the aluminum industry. The driver of demand there is the automotive industry. In the major automotive markets around the world, environmental regulations have become increasingly stringent on automobiles in recent years. In the USA, where regulations are more likely to drive incentives for lighter vehicles, a shift towards aluminum has been progressing steadily for body sheet and spaceframes, with the aim of reducing the weight of vehicle bodies. The demand for automotive aluminum products is projected to reach over 1 million tons in 2020 and 1.2 to 1.3 million tons in 2025.

In order to ensure that UACJ will capitalize on this once-in-a-lifetime business opportunity, in 2014 the company entered a joint venture with a European company to manufacture and sell automotive body sheet, thereby establishing Constellium-UACJ ABS LLC (CUA). Furthermore, UACJ implemented an additional investment in the Logan Mill of TAA—hitherto a specialist factory for can stock—to establish a network capable of supplying CUA with base materials for automotive body sheet. Moreover, in order to bolster its



Automotive body sheet demand in North America





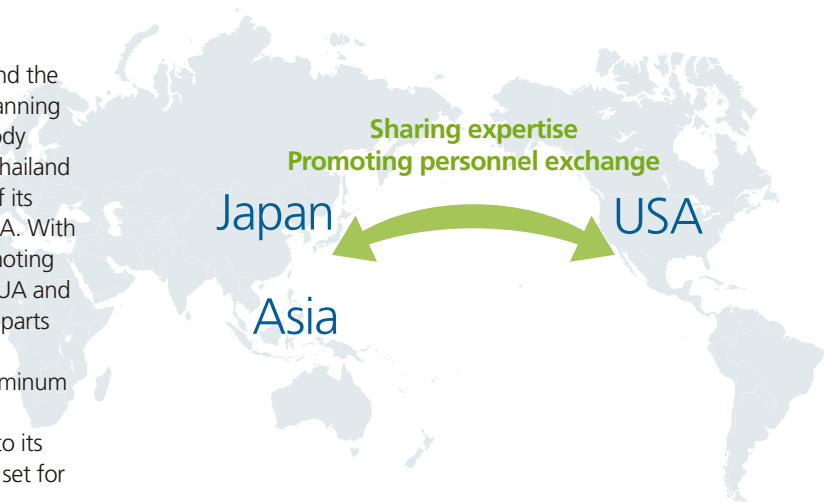
automotive aluminum structural materials and parts business, UACJ welcomed North America's leading company in the field to the Group in 2016, launching it as UACJ Automotive Whitehall Industries, Inc. (UWH). This move is expected to produce synergies such as CUA potentially benefitting from the introduction of UWH's extensive clientele.

UACJ has established a network that enables the company

to move forward with its business for a wide range of automotive materials in a short space of time, doing so by carrying out effective investment based on the existing facilities of TAA. We will continue to improve our quality, cost and delivery performance, utilizing synergies created within the UACJ Group, and strengthening and expanding our automotive aluminum business in the North American market.

## Global Operation of Automotive Materials Business by Leveraging of Expertise and Presence in North America

The trend towards lighter vehicles as a result of tighter regulations has been steadily gathering momentum beyond the US market, in Europe, Japan, and Asia as well. UACJ is planning to strengthen and expand its businesses of automotive body sheet and structural materials/parts operations in Japan, Thailand and other regions in the future, while taking advantage of its business model and presence among customers in the USA. With this vision in mind, UACJ has already started actively promoting the exchange of personnel and joint development with CUA and UWH. In particular, UWH has abundant experience in the parts and precision-machined components business, having undertaken designing and manufacturing automotive aluminum structural materials internally and delivering directly to automotive manufacturers. With such know-how added to its armory, the UACJ Group automotive materials business is set for further advancement.



### PICK UP

## Conducting Regional Activities through Interaction with Charity Organizations

As it does worldwide, the UACJ Group attaches importance to good relationships with local communities and is as committed to this cause in the USA, one of the key regions in the Group's overseas operations. At TAA, we have formulated a new vision to promote volunteer activities for local communities by the employees with the aim of becoming a cherished member of the community. Under this vision, TAA has designated five charity organizations that have connections with Louisville, Kentucky, as its partners. The company has made various donations, with many of its employees participating in activities hosted by the organizations. In addition, the activities are reported in an internal magazine to ensure that more employees are encouraged to take part. TAA continues its efforts to build even better relationships with all stakeholders, including staff, local communities and the industry.



Participating in the "Red Nose Day" event, which highlights child poverty, wearing a red nose like that of a clown and sharing laughs, as well as participating in a water-color painting club where locally produced wines are also enjoyed, TAA employees are developing their relationships with local communities.

Future of UACJ

# Creating New Demand for Aluminum through R&D Focusing on the Future

## Enhancing Automotive Materials and Precision-Machined Components Businesses Ahead of the Arrival of the Electric Vehicle Era

With environmental regulations becoming more stringent on automobiles, following the trend for lighter cars, the future is one of next-generation eco-conscious vehicles, electric vehicles (EVs). When the dissemination of EVs accelerates and the mainstream of automotive power shifts from combustion engines to electric motors, various parts constituting a vehicle will inevitably undergo dramatic change. In emission-free EVs, emission-related components such as catalysts and exhaust systems will become obsolete. Heat exchangers such as radiators used for cooling engines and transmissions will be replaced by parts to cool high-power components. Meanwhile, core parts vital for EVs are drive motors and large-volume storage batteries.

UACJ considers this tendency towards EVs a massive business opportunity and is operating an automotive aluminum business that responds precisely to changes in the market. With regard to storage batteries, we offer a wide array of products, including aluminum foil used for electrodes in lithium-ion batteries and aluminum alloy sheets for battery casings. We will continue to pursue higher performance and quality in line with market requirements.

Additionally, the trend towards aluminum body sheet and structural materials is expected to gather further momentum into the forthcoming EV era. For EVs equipped with heavy, large-volume storage batteries, reducing the weight of the body is an even more crucial issue than that for gasoline-powered vehicles in order to ensure longer ranges. Working closely with

CUA and UWH, which have been producing results in the North American market, UACJ will strive to meet these requirements. In particular, extruded aluminum materials, one of UWH's strong areas, has the advantage of being able to be cast precisely into extremely intricate component shapes. We are aiming to produce and supply high-strength structural materials for EVs for automotive manufacturers and parts manufacturers utilizing UWH's technologies and expertise in aluminum extruded materials. By doing so, we see this as a chance to expand the precision-machined components business. Moreover, new entries to the EV market have been increasingly active beyond traditional automotive manufacturers, including IT companies and venture businesses that have no existing supply chains for automotive parts. The market will have no fixed customers, such as subsidiaries and affiliated companies. This should provide us with an opportunity to cultivate new customers for our parts and precision-machined components businesses.

## Pursuing Next-Generation Materials and Production Technologies by Participating in National Projects

In order to spark demand for aluminum products in the automotive materials market, which is expected to grow, and improve the performance and quality of materials, it is also imperative to solve various technical issues, such as developing new applications through the innovation of processing and joining technologies, and reducing cost.

For example, UACJ has jointly developed a new friction stir welding (FSW) technology with a major automotive parts manufacturer. The technology will be put to practical use as a tailored-blank technique that involves joining aluminum sheets with different thicknesses together, contributing to improved productivity and cost savings in aluminum automotive parts



**Kazuhisa Shibue**

Chief Executive, Research & Development Division  
 Director, Member of the Board  
 Senior Managing Executive Officer

### New car sales results and targets for next-generation vehicles

	2015 (Actual)	2030 (Target)
Conventional vehicles	73.5%	30–50%
Next-generation vehicles	26.5%	50–70%
Hybrid vehicles (HVs)	22.2%	30–40%
<b>Electric vehicles (EVs)</b>	<b>0.27%</b>	<b>20–30%</b>
<b>Plug-in hybrid vehicles (PHVs)</b>	<b>0.34%</b>	
Fuel-cell vehicles (FCVs)	0.01%	Up to 3%
Clean diesel vehicles (CDVs)	3.6%	5–10%

Source: Ministry of Economy, Trade and Industry, Japan's Measures to Promote Next-Generation Vehicles



## Expanding Businesses through the Promotion of Cross-Group Strategies and Marketing

Worldwide fuel consumption restrictions against the backdrop of environmental issues, combined with the arrival of zero-emission vehicles (ZEVs), mean that the need to reduce the weight of vehicles has expanded beyond automotive body sheet to other automotive parts and materials. Consequently, the automotive aluminum business is expected to grow rapidly both in Japan and overseas. We feel that it will be even more important in the future to provide customers around the world with solutions that meet requirements for lighter weight and higher performance, including design, processing and joining technologies, as well as optimal materials such as sheets and extruded materials. In light of such changes in the market environment, the Automotive Business Development Division was launched in October 2016 in order to ensure that the UACJ Group grabs this business opportunity. This division is responsible for collecting and centralizing information on the market environment surrounding new automotive products and technologies and trends in customer needs. By doing so, the new department will draw up cross-group strategies based on the resources of all Group companies and carry out marketing with the aim of further expanding the automotive business.



**Takehide Otani**

Chief Executive, Automotive Business Development Division Executive Officer

production. Apart from this, UACJ has been studying an array of joining technologies, including laser welding and adhesive bonding. When the aspect of strength enters into the equation, it is difficult to design the whole part using a single lightweight material. Given the sophistication of technologies to join aluminum with other lightweight materials, such as carbon-fiber-reinforced plastics (CFRPs) and resins, we are convinced that aluminum will be used even more extensively in the automotive industry.

We are also committed to more innovative R&D. As part of these initiatives, UACJ is taking part in a project organized by the New Energy and Industrial Technology Development Organization (NEDO) to develop high-strength and high-toughness aluminum alloys under a university-industry partnership. The aim of this initiative is to develop the world's strongest aluminum alloys to be produced in Japan in order to reduce the weight of aircraft and improve fuel consumption. The technical achievement of the project should eventually be passed on to product development in the automotive field. In another project led by NEDO, UACJ is undertaking the development of an innovative technique that enables a substantial reduction in power consumption when compared to the traditional aluminum smelting process. There are still many hurdles to be overcome before practical use begins; however, when this is achieved, aluminum's cost competitiveness against other materials will be boosted, leading to wider use of

aluminum beyond automobiles.









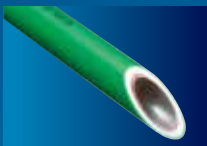





Additionally, as a result of the rapid advance of the Internet of Things (IoT) and artificial intelligence (AI), the manufacturing industry is now facing dramatic changes in production processes. UACJ is also faced with challenges as to how to handle these changes, but we are determined to address them positively.

Tougher environmental regulations and technological evolution mean a steady increase in the amount of aluminum used per vehicle every year, and we expect this trend to continue. Within the company, as well, UACJ will strive to create new value for the expanded use of aluminum by developing joining technologies and R&D that help lower cost.




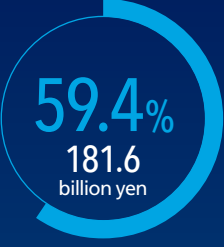
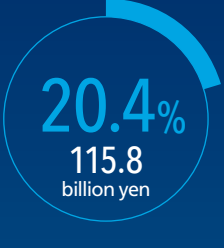
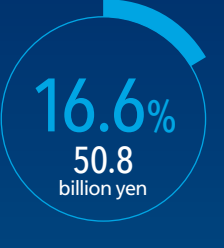
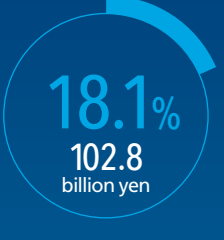



## Information by Business

Business	Net sales	Operating income	Products
<p><b>Rolled Aluminum Products Business</b></p> <ul style="list-style-type: none"> <li>• Flat Rolled Products Business</li> <li>• Extrusion Business</li> <li>• Foil Business</li> <li>• Casting and Forging Business</li> </ul>	<p><b>68.3%</b> 451.3 billion yen</p>	<p><b>85.8%</b> 26.8 billion yen</p>	 Automotive body sheet  Aluminum can stock and closure materials  LNG tank materials  Automobile heat exchanger and tubing materials  Turbocharger compressor wheels  Lithium-ion battery current collector foil
<p><b>Wrought Copper Products Business</b></p> <ul style="list-style-type: none"> <li>• Copper Tubing Business</li> </ul>	<p><b>6.5%</b> 43.2 billion yen</p>	<p><b>2.3%</b> 0.7 billion yen</p>	 Air-conditioner internally grooved copper tubing  Heat exchanger tubing  Piping for hot/cold water supply  Piping for construction
<p><b>Precision-machined Components and Related Businesses</b></p> <ul style="list-style-type: none"> <li>• Precision-machined Components Businesses</li> </ul>	<p><b>25.2%</b> 166.7 billion yen</p>	<p><b>12.0%</b> 3.7 billion yen</p>	 Bumper assembly  Parabolic antenna  Honeycomb panel  Large aluminum tank


Note: Net sales includes intersegment sales and transfers. Operating income is before intersegment adjustments.

## Sales by Region

Region	Main business sites	Net sales	Property, plant and equipment
Japan	<ul style="list-style-type: none"> <li>Nagoya Works</li> <li>Fukui Works</li> <li>Fukaya Works</li> <li>Nikko Works</li> </ul>	 <p><b>61.5%</b> 349.7 billion yen</p>	 <p><b>59.4%</b> 181.6 billion yen</p>
USA	<ul style="list-style-type: none"> <li>Tri-Arrows Aluminum Inc.</li> <li>Logan Aluminum Inc.</li> <li>UACJ Automotive Whitehall Industries, Inc.</li> <li>Constellium-UACJ ABS LLC</li> </ul>	 <p><b>20.4%</b> 115.8 billion yen</p>	 <p><b>16.6%</b> 50.8 billion yen</p>
Thailand/ Others	<ul style="list-style-type: none"> <li>UACJ (Thailand) Co., Ltd.</li> </ul>	 <p><b>18.1%</b> 102.8 billion yen</p>	 <p><b>23.9%</b> 73.0 billion yen</p>

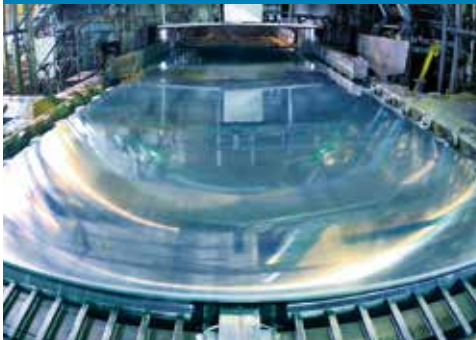
## Supply Network

Regions	Japan	China/ South Korea	Southeast Asia	India	Middle East/ Africa	Europe	USA	
Main products								
Can stock	Fukui	Fukui UATH	UATH	UATH	UATH		TAA	
Automotive heat exchanger materials	Nagoya	UDSH RUYUAN	UATH	UATH	UATH	UEHEM	UATH	
Automotive body sheet	Nagoya	Supply network reviewed based on trend in demand						CUA
Automotive extruded materials/processed products	Nagoya, Anjo, Koyama, Shiga, Gunma, Fukui	UEXTJ UEXTH	UEXIA UEXTH	UEXIA		UEXCZ	UWH	

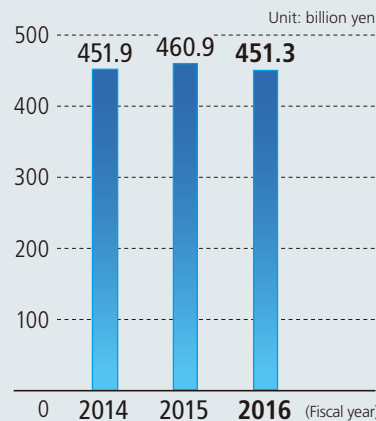
 Business sites that have implemented initiatives since integration, including reinforcement of production/sales networks

Notes: Abbreviations represent the following subsidiary names: TAA: Tri-Arrows Aluminum Inc., UEHEM: UACJ ELVAL HEAT EXCHANGER MATERIALS GmbH, UEXTJ: UACJ Extrusion (Tianjin) Corporation, UEXIA: PT. UACJ-Indal Aluminum, UEXTH: UACJ Extrusion (Thailand) Co., Ltd., UEXCZ: UACJ Extrusion Czech s.r.o., UWH: UACJ Automotive Whitehall Industries, Inc., UDSH: SHANGHAI UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION, RUYUAN : RUYUAN DONGYANGGUANG UACJ FINE ALUMINUM FOIL CO., LTD.

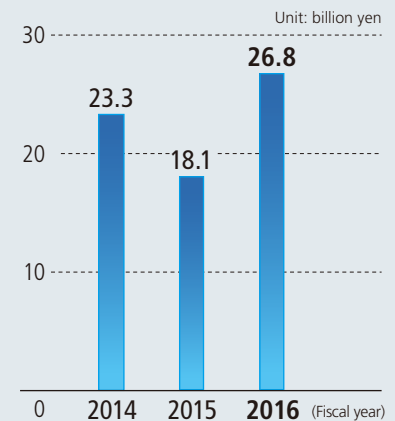
## Rolled Aluminum Products Business



### Net sales



### Operating income



Note: Net sales and operating income before inter-segment adjustment

## Overview and Outlook

In fiscal 2016, the sales volume of rolled aluminum sheet totaled 1.021 million tons, up 51,000 tons year-on-year and surpassing the 1 million-ton mark for the first time since integration. By region, the volume is more or less balanced between Japan and overseas. By type of product, demand remained strong and sales volume increased year-on-year for our mainstay can stock, partly because of fully-integrated manufacturing at the UATH Rayong Works. Automotive materials experienced a substantial increase thanks to growing demand in Japan and overseas as the shift towards aluminum continues to progress. The sales volume of thick plate also rose as a result of buoyant demand for liquid-crystal and semiconductor manufacturing equipment. The total shipment volume of extruded products exceeded the previous year's level for the first time in three years in the wake of strong demand.

Despite buoyant sales volumes, total net sales declined 2.1% year-on-year to 451.3 billion yen. This was due to a fall in primary aluminum ingot price and a negative impact brought on by foreign exchange rates. On the other hand, operating income rose to 26.8 billion yen, up 47.7% year-on-year thanks to the increase in sales volume, benefits from cutting cost and the shrinking adverse effect of inventory valuations compared to a year earlier.

In fiscal 2017, we expect the sales volume to continue to increase, mainly in the areas of can stock and automotive materials. The increased supply at UATH Rayong Works is likely to lead to overseas sales volume outperforming domestic volume for the first time. Taking all of this into account, we project increases in both sales and operating income, rising to 501.1 billion yen and 34.9 billion yen, respectively.

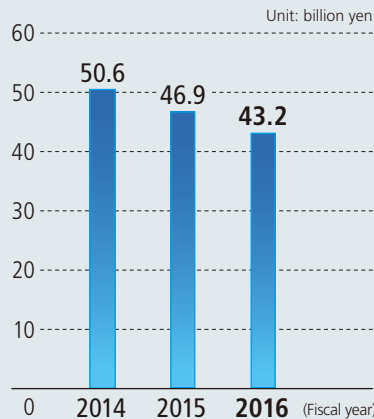
## Product mix of rolled aluminum products and main customers

Product uses	Fiscal 2016 sales volume		Main customers	Main end-product manufacturers
	(Unit: 1,000t)	(as % of total)		
Can stock	626	61%	Can manufacturers	Beverage/Food manufacturers
Foil	47	5%	Foil manufacturers	Pharmaceutical/Food manufacturers
IT	20	2%	Electronic parts manufacturers	IT equipment manufacturers
Automotive	104	10%	Automobile/Parts manufacturers	Automobile manufacturers
Thick plate	67	7%	Metal trading companies Shipbuilders	Liquid crystal/Semiconductor production equipment manufacturers Shipbuilding
Other generalpurpose materials	158	15%		
<b>Total</b>	<b>1,021</b>	<b>100%</b>		
For Japanese market	518	51%		
For overseas markets	503	49%		

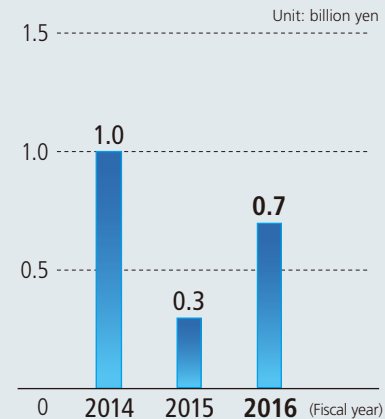
## Wrought Copper Products Business



### Net sales



### Operating income



Note: Net sales and operating income before inter-segment adjustment

## Overview and Outlook

In fiscal 2016, the sales of wrought copper products fell 7.9% year-on-year to 43.2 billion yen. This is despite solid shipments of air conditioners, the main use of the products, as the primary copper ingot price was sluggish compared to the previous year. On the other hand, operating income surged to 700 million yen, up 107.5% year-on-year as a result of improved inventory valuation

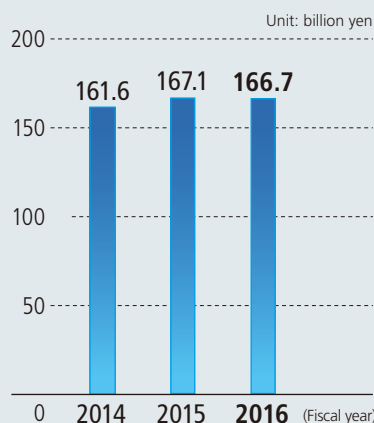
and the effects of cost reductions.

In fiscal 2017, the sales volume is expected to continue to grow thanks to the brisk shipment of air-conditioners. Consequently, we project increases in both sales and operating income to 48.5 billion yen and 1.6 billion yen, respectively.

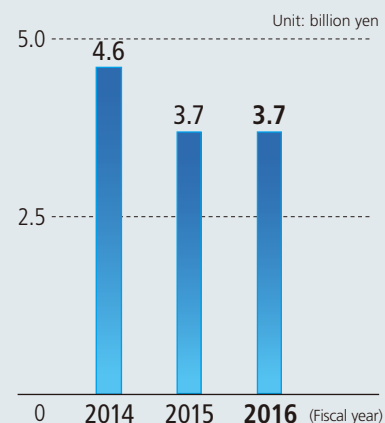
## Precision-machined Components and Related Businesses



### Net sales



### Operating income



Note: Net sales and operating income before inter-segment adjustment

## Overview and Outlook

In fiscal 2016, despite acquiring present-day UACJ Automotive Whitehall Industries, Inc. (UWH) and its subsequent addition to the consolidated account, sales in this segment slipped to 166.7 billion yen, down 0.2% year-on-year. This was due to the adverse effect of lower demand in existing businesses. Operating income also slid to 3.7 billion yen, down 0.1% year-on-year, due to slower sales and the amortization of

goodwill accompanying the purchase of UWH.

In fiscal 2017, a full-term contribution towards the consolidated account is expected from UWH and brisk sales of air-conditioner compressor fin materials is anticipated for the Japanese market. Consequently, we project increases in sales and operating income to 181.8 billion yen and 4.9 billion yen, respectively.



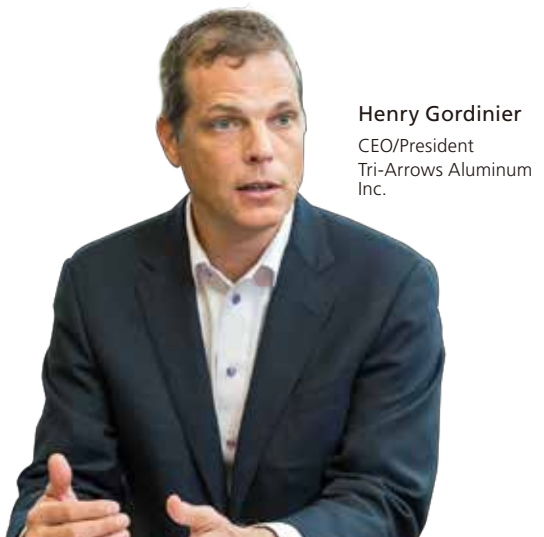
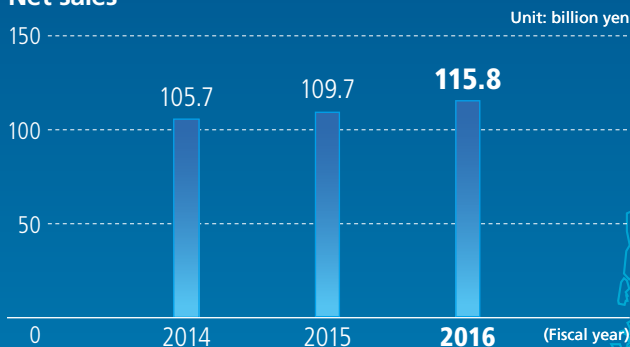
# USA

## Fiscal 2016 Highlights

- Automotive body sheet demand increased for lighter cars
- Can stock manufacturers also shifted their focus to automotive materials, creating concern of a shortage in can stock supply
- CUA began sample shipments and sales of automotive body sheet
- Acquired a leading company in the North American automotive structural materials industry and made it a subsidiary named UWH
- Committed 175 million dollar investment given in the casting and cold rolling lines of TAA to raise its annual production capacity to 400,000 tons

CUA: Constellium-UACJ ABS LLC  
 UWH: UACJ Automotive Whitehall Industries, Inc.  
 TAA: Tri-Arrows Aluminum Inc.

## Net sales



Henry Gordinier  
 CEO/President  
 Tri-Arrows Aluminum  
 Inc.

### Increasing Can Stock Supply Capacity While Proactively Responding to Rise in Aluminum Demand for Automobiles

UACJ made a full-scale entry into the American market by acquiring present-day TAA in 2011. The Logan Mill operated by TAA has established itself as the can stock plant with the world's highest production efficiency. It also began supplying base materials for automotive body sheet manufactured by CUA.

In order to keep pace with increasing demand, CUA started sample shipments and sales of automotive materials in June 2016. For structural materials, too, in April 2016 UACJ acquired a leading company of automotive structural materials and parts known for its Whitehall brand and made it a subsidiary named UWH. UACJ has therefore advanced its efforts to build a network capable of handling the rising demand. At TAA, while reinforcing the supply network for base materials to CUA, it was decided to make an additional investment in November 2016 in order to boost the plant's can stock supply capacity amidst concerns of a supply shortage. In the future, we will proactively capture business opportunities centering on these three companies.

# Accumulated Improvement in Network and ESG Activities

- **2011**  
Full-scale entry into North American market through the acquisition of present-day TAA
- **2013**  
TAA made a consolidated subsidiary upon the establishment of UACJ
- **2014**  
CUA automotive body sheet joint venture established
- **2015**  
Aluminum sheet rolling capacity, including casting, increased at TAA
- **2016**  
Acquired an automotive structural materials company and made it a subsidiary named UWH  
Capital investment in TAA casting and cold-rolling lines announced

## ESG Activity 1 Synergies Generated by Taking Advantage of Diverse Knowledge

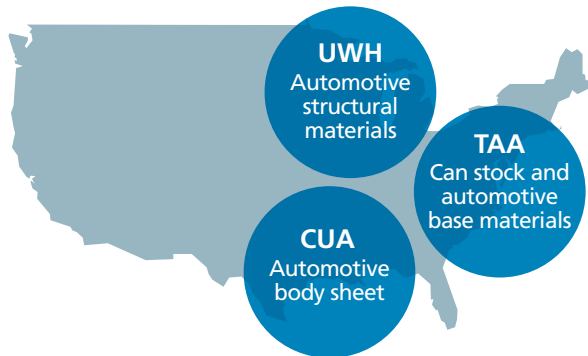
UACJ has expanded its business by incorporating external forces into the Group in North America via TAA, launching the joint venture CUA, and purchasing what is now UWH. These developments have led to a situation in which individuals from diverse backgrounds—which was not the case previously at UACJ—work together. This, in turn, has produced various wide-ranging synergies. For example, by supplying CUA with base materials, TAA has obtained expertise in automotive materials in addition to its traditional know-how in can manufacturing. Additionally, acquiring the company now known as UWH led to introducing that organization’s manufacturing expertise to the Group, in addition to a vast amount of marketing data that was accumulated and is now being used in R&D by the Group as a whole. We believe that such synergies are further enhancing our global competitive edge.

## ESG Activity 2 Recycling Ratio Also Improved by Increasing the Number of Casting Lines

In the USA, one of the world’s largest can consumption countries, recycling is thriving, with a reported 127,000 cans recycled every minute. At TAA, too, active efforts are being made to increase recycling and reduce environmental load. Approximately 80% of the raw materials used for can stock at the Logan Mill is recycled aluminum. In addition to reusing scrap aluminum generated at the factory, TAA also accepts it from external sources. Logan Mill’s state-of-the-art casting furnace enables these advanced recycling efforts. The capital expenditure plan announced in November 2016 will help increase production capabilities and improve the recycling ratio even further.



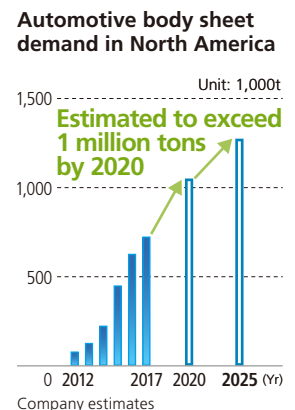
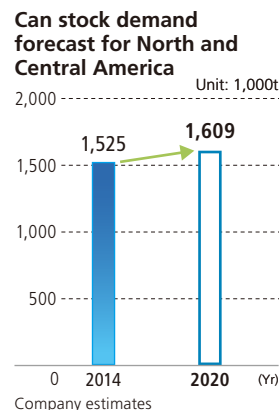
## Three-company network for handling can stock and automotive materials demand



## Regional Activity

### Capturing Growth Opportunities While Keeping an Eye on Increasing Demand for Automotive Materials and the Concern of Can Stock Shortage

In the US aluminum market, aluminum is being used for more automotive parts as part of the effort to reduce overall automobile weight. Amidst this trend, the global manufacturers of can stock are shifting their focus on production towards automotive materials. In the meantime, as the U.S. market is also the world’s largest can stock consumption region, with demand expected to remain solid, concerns are emerging that there may be a shortage of can stock. UACJ considers the demand trends in automotive materials and can stock as growth opportunities, and is planning to respond proactively. While TAA has established itself as a leading supplier of can stock, it also has the role of supply base for base materials used to produce automotive body sheet. The capital investment plan given the go-ahead in November 2016 should help TAA expand its base materials supply volume, while maintaining its responsibility to provide can stock.



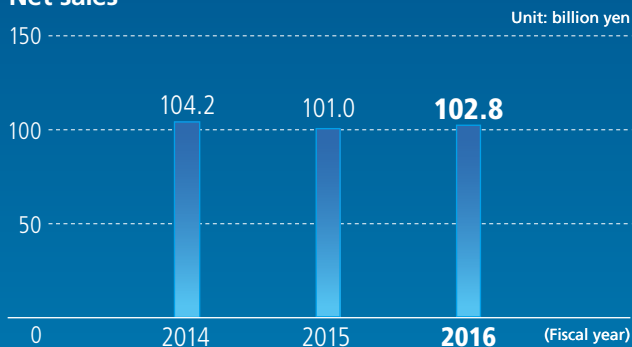
# Thailand/Others

## Fiscal 2016 Highlights

- Can stock demand increased from Asia to the Middle East and Australia as population and economy grew
- UATH clientele expanded to more than 50 companies, including transactions outside of the Asian region
- Rayong Works' proficiency levels improved, with monthly production reaching 10,000 tons
- Annual sales volume at UATH rose from 32,000 to 65,000 tons
- Investment amounting to approximately 39 billion yen earmarked for Rayong Works casting, cold-rolling, surface finishing and coating lines with aim to raise annual production capacity to 320,000t

UATH: UACJ (Thailand) Co., Ltd

## Net sales



Hironori Tsuchiya  
President  
UACJ (Thailand)  
Co., Ltd.

## Aiming to Expand Business via Additional Large-scale Investment and Becoming Profitable Early by Improving Production Efficiency

The construction of UATH Rayong Works began in 2012, and it has since become the core plant for UACJ in Asia. With the first- and second-phase construction work completed, the plant currently has an annual production capacity of 180,000 tons, producing can stock, heat exchanger materials, and general-purpose materials. It is the sole integrated aluminum production plant in Southeast Asia. Against the backdrop of growing populations and other factors, further demand for aluminum is expected; a prospect that led to the decision in November 2016 to commit a third phase of capital investment. The plan will increase annual production at the Rayong Works to 320,000 tons, one of the largest in Asia.

It has been 18 months since fully-integrated manufacturing began, and production efficiency is improving along with operations proficiency levels. The monthly sales volume at UATH is currently running 8,000–9,000 tons, and is expected to increase to an average of 13,000 tons in the second half of fiscal 2017. The increased sales volume is also bringing about an improvement in profitability. Our aim is to turn operating income profitable in the second half of fiscal 2017 and ordinary income profitable in fiscal 2018.



# Accumulated Improvement in Network and ESG Activities

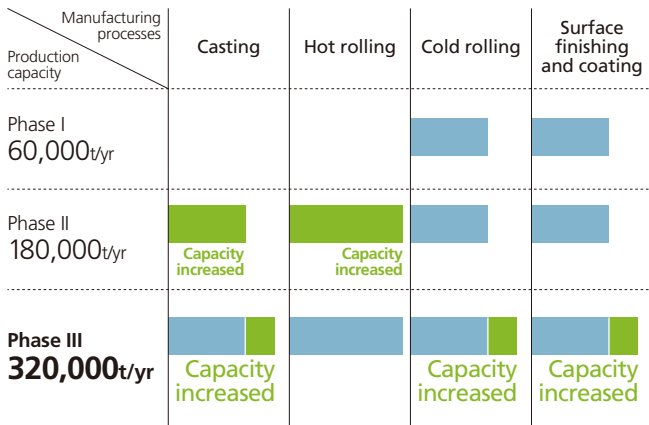
- **2012** -----
  - Construction of Rayong Works began
- **2014**
  - Operations of cold rolling and downstream processes such as surface finishing and coating started
- **2015**
  - Fully-integrated manufacturing started, including processes from casting to hot-rolling
- **2016** -----
  - Monthly production of 10,000 tons achieved
  - Capital investment in casting and cold-rolling processes announced

## ESG Activity 1 Contributing to Job Creation and Development of Industry through Rayong Works Operations

Recent years have seen momentum gathering towards the development of various industries, mainly manufacturing, in Thailand. The UATH Rayong Works is situated in Thailand's eastern economic corridor, where the country is promoting development. The company is contributing to the development of local industry by creating jobs, nurturing human resources, and committing large-scale investment. A good relationship with the local community has also been developed through various initiatives, such as environmental surveys based on visits to surrounding villages and regional contributions. In June 2017, a meeting between UACJ Chairman, Shigenori Yamauchi, and Thailand's Deputy Prime Minister, Somkid Jatusripitak, materialized. We will continue to contribute to the development of industry in broader areas of Asia, as well as in Thailand.



## Towards Asia's largest production capacity – 320,000 tons



## ESG Activity 2 Meticulous Training Results in Operations Being Run by Local Staff

For UATH to achieve its immediate target of an annual production of 300,000 tons, nurturing the skills of local personnel is imperative. To this end, skilled engineers were sent from Japan at the time of starting up the Rayong Works, and they focused on providing local staff with education and on-the-job training, backed by the full support of our R&D Division. Moreover, standard operating procedures were prepared in three languages: Japanese, Thai, and English. Meticulous training that explains operating procedures and their purpose together has led to operation of the first-phase lines to be manned exclusively by local employees. Some of the young local personnel have trained at plants in Japan to learn cutting-edge manufacturing. We expect that they will become key personnel for the future of UATH and the industry in Thailand.

## Regional Activity

### Increase in Demand Expected Over Broad Areas from Asia to Middle East and Australia, Likely to Expand 1.4-fold by 2020

In Asia, the Middle East and Australia, against the backdrop of economic growth and rising populations, the demand for can stock and heat exchanger materials is expanding rapidly. Our estimates suggest that can stock demand in these areas is likely to grow from 880,000 tons in 2014 to 1.25 million tons in 2020, a growth of approximately 1.4 times.

UATH is often recognized as a supply base for the surrounding Southeast Asian region because of the location of its plant in Thailand. Despite this common perception, our customer base is widespread, including the Middle East and Australia. Our clients currently comprise more than 50 companies, including numerous beverage can and heat exchanger manufacturers in these regions.

### UATH Regional Coverage



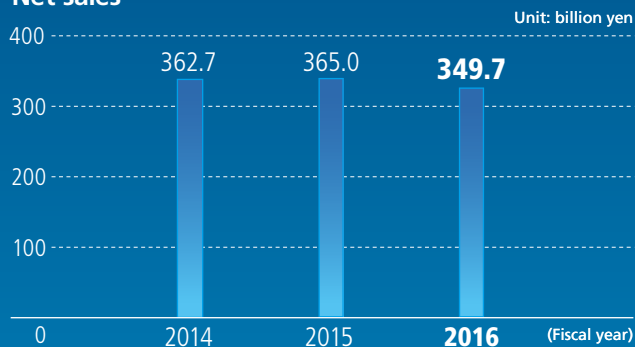


# Japan

## Fiscal 2016 Highlights

- Mainstay can stock demand remained solid
- Sales volume of automotive materials and thick plate for liquid-crystal and semiconductor production equipment increased
- Total shipment volume of extruded products posted first year-on-year increase in three years
- Reallocation of product mix among four Japanese factories nearly complete
- Construction of optimal production network led to integration effects amounting to 11 billion yen

## Net sales



## Achieving Larger-than-Planned Integration Effects Thanks to Construction of Optimal Production Network through Reallocation of Product Mix

Since integrating operations, UACJ has been pressing forward with reallocating its product mix among its four factories in Japan. Instead of producing the same types of products at each of the former two companies' factories, we have established a more efficient production network by concentrating on products that take advantage of the features of individual plants. This task was completed in fiscal 2016. As a result, cumulative integration effects totaled 11 billion yen at the end of fiscal 2016, exceeding our initial estimate of 10 billion yen.

The domestic sales volume of our mainstay product, can stock, fell slightly in fiscal 2016. However, an increase in the demand for automotive materials and thick plate for liquid-crystal and semiconductor production equipment more than offset the negative impact, leading to overall domestic sales volume surpassing the previous fiscal year level.

As demand is expected to continue to grow, mainly for automotive materials, the plan is to establish a production system that can handle such changes.



Miyuki Ishihara

Director, Member of the Board  
Managing Executive Officer  
Chief Executive, Production Division

# Accumulated Improvement in Network and ESG Activities

- **2013** -----  
Reallocation of product mix started at factories in Japan following integration
- **2015**  
R&D divisions consolidated
- **2016** -----  
Reallocation of product mix nearly complete at factories in Japan

## ESG Activity 1 Putting Systems in Place to Improve Work Environment and Take Advantage of Diversity

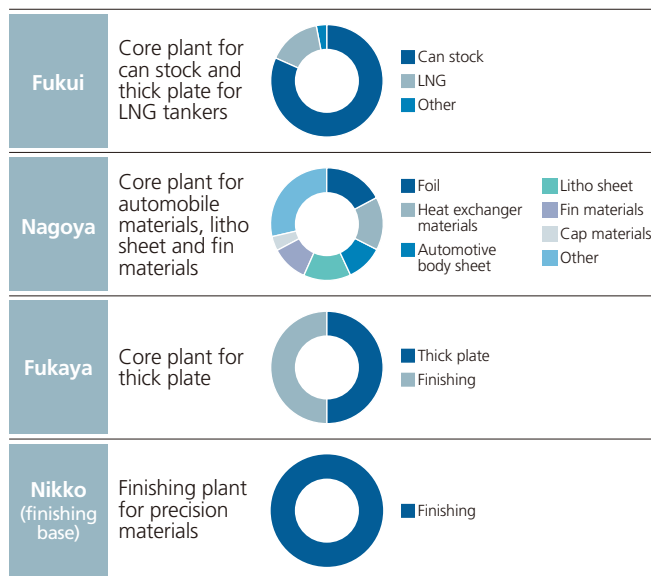
The Act on Promotion of Women's Participation and Advancement in the Workplace was enacted in Japan in August 2015, and women's work styles began attracting increasingly more attention. UACJ is working to expand opportunities for women by setting specific numerical targets based on action plans set forth under the aforementioned law. For example, "Ensuring 40% of the new college graduates we hire into administrative positions are women and hiring women for at least 10% of technical positions," and "Doubling the number of women in management positions based on the number in March 2016." Furthermore, childcare leave and a re-employment system are in place, and a teleworking scheme has been newly introduced. We are working to establish systems that ensure an excellent working environment for every employee, regardless of their gender or age, and publicizing the systems so that more employees will take advantage of them.

## ESG Activity 2 Promoting Passing Down of Skills That Improve Onsite Performance

At UACJ, a majority of the experienced and skilled workforce that participated in the startup of our plants in Japan will retire within 10 years from now. We regard it as an important issue to pass down technologies, expertise and ethos that have been developed over many years to the next generation in order to maintain our competitive edge as a manufacturer. Therefore, we proactively provide opportunities to hand down skills to subordinate personnel. For instance, a course was launched at the Nagoya Works featuring skilled veterans in the areas of plate making, extrusion, and copper working as the lecturers. In 2016, we also established a course at the Fukui Works. Additionally, retired employees are rehired to pass down the skills and knowledge of specialized processes to the entire line, including the experiences of high value-added manufacturing from the customer's perspective.



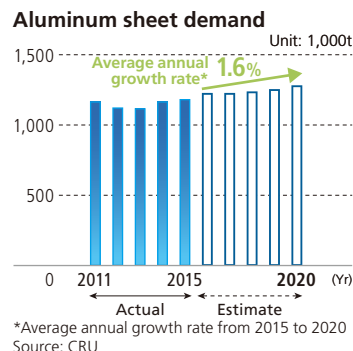
## Building an optimal production network that utilizes the features of each plant



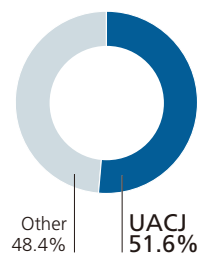
## Regional Activity

### Responding to Brisk Demand by Leveraging Overwhelming Production Share

Although a shrinking market is a cause for concern as the Japanese population declines, demand is expected to increase UACJ's major market, beverage cans, in particular, low-alcohol beverages and bottle-shaped cans. Meanwhile, as for the automotive industry, a shift towards the use of aluminum is gathering momentum in Japan and the rest of the world. Consequently, demand is on the rise for aluminum body sheet. The greatest strength of UACJ in the Japanese market is a high share of more than 50% of total production volume. On the back of this unparalleled scale, UACJ will focus on steadily capturing demand, mainly in growth areas, by demonstrating its overwhelming competitive edge in the Japanese market.



### Aluminum sheet production share (FY2016)



Source: Light Metal Digest, Kallos Publishing Co., Ltd., Aug. 28, 2017



# Applying Assets Accumulated to Create New Value

## UACJ Assets

	Offensive assets	Defensive assets
Manufacturing Capability	Technology Development Division that performs innovative product/technology development <a href="#">▶pp. 27-28, p. 59</a>	Stable supply system that satisfies our supply responsibility according to our BCP and in the event of emergencies <a href="#">▶p. 40</a>
	Some of the world's biggest and top-class production facilities <a href="#">▶p. 1</a>	Quality management activities that respond to strict quality requirements <a href="#">▶p. 40</a>
	Optimum production system that raises productive efficiency and cost competitiveness <a href="#">▶pp. 37-38</a>	Measures to increase customer satisfaction by improving quality, etc. <a href="#">▶p. 40</a>
Employee development	Fostering global human resources that are the source of Company strength <a href="#">▶p.36, p. 41</a>	Ensuring occupational safety and providing a safe working environment for employees <a href="#">▶p. 41</a>
	Passing on skills that ensure sustainable innovation <a href="#">▶p.38, p. 41</a>	
	Promoting diversity by utilizing a variety of human resources to achieve Company growth <a href="#">▶p.38, p. 41</a>	
Environmental initiatives	Develop products that contribute to reducing the environmental burden <a href="#">▶pp. 27-28</a>	Management system to promote environmental activities <a href="#">▶Website (Sustainability)</a>
		Energy savings to contribute to prevent global warming <a href="#">▶p. 42</a>
		Chemical substance control to reduce environmental risk <a href="#">▶p. 42</a>
		Waste reduction activities to enable continuing zero emissions <a href="#">▶p.34, p. 42</a>
Corporate governance	Corporate governance as the basis for creating corporate value <a href="#">▶pp. 43-46</a>	

As a major aluminum supplier from Japan, the UACJ Group is creating new value and building the trust of global society through its technological and manufacturing prowess, while promoting corporate management that harmonizes with the global environment and regional societies. To enable the entire Group to achieve those initiatives, we rely on fostering human resources capable of creating value and creating work environments where each person can effectively draw on his/her own abilities.



# Manufacturing Capability



**We are working to provide manufacturing that meets customers' needs, leveraging industry-leading R&D systems and manufacturing facilities**

## Quality Control

The UACJ Group has set up quality control groups at each business: flat-rolled products, extrusion, foil, casting and forging, copper tubing, and precision-machined components. The heads of each organization are working with the Technology Department to create systems that promote quality control activities. We set yearly quality control policies for the Group as a whole, and based on those policies, we have clarified product quality goals and key issues that need to be addressed. In this way, we are rolling out measures to improve product quality. In fiscal 2016, as the result of initiatives to address key issues, there were fewer claims and complaints.

UACJ and individual Group companies have received international certification for quality management systems, and we practice quality control in accordance with the certification requirements. For those Group companies that have not yet received certification, the Technology Department is supporting their management in line with the requirements for international certification.



## Improving Customer Satisfaction

The UACJ Group places importance on customer communication, and increasing customer satisfaction is part of the Management Philosophy and Basic Quality Policy. We regularly conduct a customer satisfaction survey as well as hold meetings with our customers to directly hear their opinions and requests. Claims from customers are shared within the Group to prevent the occurrence of similar incidents. In addition, through the "Contact Us" page on our website we receive technical questions from customers in Japan and overseas, to which we swiftly and accurately respond, while also incorporating this feedback into new product development.



## Stable Supply

UACJ is formulating business continuity plans (BCPs) to enable continued provision of products and services or to ensure that operations recover quickly in the case of an emergency, such as a large earthquake or the outbreak of a new influenza virus. We are creating a system to reduce the damage by preventing secondary damage and to engage in recovery as soon as possible. This involves setting up an emergency contact network and implementing the Employee Safety Check System, in order to understand the extent of the damage at the affected sites, secure the necessary personnel, and provide support and disaster relief as soon as possible.



## Employee Development



**We are working to create a considerate work environment to harness the manufacturing capabilities held by a diverse group of human resources**

### Promoting Diversity

Recently, in line with accelerating global expansion and entering new fields to grow our business, we think it is crucial to fully harness the manufacturing capabilities held by a diverse group of employees without regard to gender, age, nationality, or disability.

We are working to train motivated personnel without regard to nationality, such as sending Japanese employees to the newly added UACJ Automotive Whitehall Industries, Inc. of the US and holding business training programs for managers of our Thai subsidiary.

To ensure that our employees have a healthy work-life balance, we are setting up various systems. By creating an environment that is easy to work in, we aim to increase the ratio of women hired as new recruits and the number of women in management positions. In fiscal 2017, the percent of women hired as new recruits was 43% for administrative positions and 7% for engineering positions. As of the end of fiscal 2016, the number of women in management positions increased by 13 compared to the previous year.

### Efforts to Pass on Skills

To maintain the quality of our products and continually improve productivity, it is crucial to pass down to the next generation the spirit, skills, and expertise cultivated over many years.

In preparation for the mass retirement of skilled workers, since 2004 the UACJ Group has been implementing measures to pass down the skills, intuition, and know-how of experienced employees, mainly at the Nagoya Works. In fiscal 2016, we launched similar initiatives at the Fukui Works, and are considering rolling out this program to other sites. We are also actively promoting the rehiring of retired employees to ensure that the skills, techniques, and expertise of these experienced professionals are passed down to the next generation.

### Ensuring Occupational Safety and Health

The UACJ Group is creating a health and safety management system that is overseen by general safety and health managers at each business site. The Safety and Health Committee has been established as the main organization in charge, and is chaired by the director in charge of safety and health. Other committee members include full-time directors, general plant managers, and presidents of key Group companies. Meetings are held once a year. At the Safety and Health Committee meeting held in January 2017, the summary of fiscal 2016 was reported, followed by a discussion and approval of the policies on health and safety activities for fiscal 2017.

UACJ's four key manufacturing sites have implemented a labor safety and health management system and are working to achieve "zero risk of accidents in the workplace." In addition, the UACJ Group has introduced health and safety education in its stratified training. As a result of these initiatives, there were 22 industrial accidents in fiscal 2016, with the ratio of accidents requiring time off from work at 0.66, and a total ratio of 0.88.

### Conveying the fun and joy of work to children

**Mihoko Oshima**

Manager of Global Business Strategy Department, Legal Affairs Group



I entered UACJ in 2016, and my work mainly involves creating compliance systems and drafting contracts for overseas Group companies. Due to the nature of my work, I am often communicating with people overseas and in different time zones, so arranging my work schedule requires a lot of effort. I have a two-year-old son and both my husband and I work, so my boss and colleagues have been helping me with my family daily. I work hard at my job every day, hoping that one day my son will tell me, "your work seems challenging but fun!"

# Environmental Initiatives



## We are working to lessen the environmental burden, pursuing manufacturing that leads to a more sustainable society

### Preventing Global Warming

UACJ's domestic production volume fell slightly due to reallocating the product mix between our domestic manufacturing sites, but our CO<sub>2</sub> emissions and energy consumption increased slightly year on year, and CO<sub>2</sub> emissions per unit of production rose year on year.

We will continue to pursue energy efficiency in the manufacturing process, such as by using joint delivery in collaboration with industry peers, reviewing various equipment at our manufacturing sites, and switching over to LNG as our fuel source, which has lower CO<sub>2</sub> emissions than heavy fuel oil.

### Reducing Waste

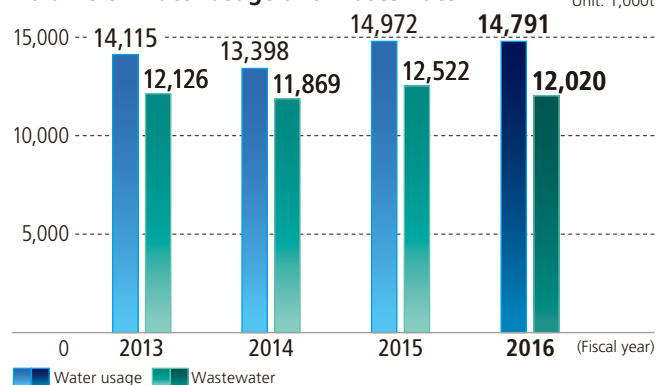
The UACJ Group is working to reduce industrial waste toward achieving the goal of zero emissions. We set up industrial waste subcommittees at business sites with large volumes of waste and shared information to help optimize waste minimization and management. In line with a decrease in production in fiscal 2016, the volume of waste fell 9.9% year on year.

UACJ proactively recycles aluminum cans, and is pursuing further initiatives using technology shared by Tri-Arrows Aluminum Inc., which has particularly advanced initiatives.



We consider water an important resource, and are conscious of the amount of water usage by source at each business site. We also manage wastewater by water stream.

**Volume of water usage and wastewater** Unit: 1,000t



Note: Figures for the first half of fiscal 2013 figures are totals for the former two companies. Operating performance figures after that date are for UACJ.

### Preventing Environmental Pollution

The UACJ Group has established voluntary emissions targets for air, water, and soil pollutants that result from production, and is committed to meeting these targets. These targets are stricter than those required by laws, regulations, and agreements.

We strictly manage chemical substances that have a large impact on the environment, such as substances specified under the Pollutant Release and Transfer Register (PRTR) Law and volatile organic compounds (VOCs), and strive to reduce the use of these substances.

# Improving corporate value continuously through the pursuit of an optimal governance system



## Enhanced Information Sharing with Outside Directors for More Productive Discussions

—How is UACJ's corporate governance progressing?

**Yamauchi:** Since enactment of Japan's Corporate Governance Code in June 2015, we have been progressing with the reinforcement of governance based on those principles. As part of our effort, we asked all directors and auditors to participate in another survey in fiscal 2016, the purpose of which was to evaluate the effectiveness of the Board of Directors. Opinions and suggestions collected are being used to improve how the Board of Directors operates.

**Sugiyama:** We have a very lively question-and-answer session at every board meeting.

**Yamauchi:** I feel that there is little input from inside directors when comparing that of the outside auditors, who are particularly active when it comes to taking part in questions and providing input. Naturally, behind this, inside directors have already attended a number of meetings where issues are discussed extensively. By the time the subject is brought up in a board meeting, there is little room for them to explore the issue further.

**Suzuki:** We outside directors have opportunities to attend various internal meetings and believe that we



understand internal views to some extent. On the other hand, outside auditors are not aware of these prior processes as their role is monitoring management from a detached point of view. It is natural that there are many questions and different opinions at board meetings, which I think shows the healthy state of the board.

**Yamauchi:** Exactly. However, I think that we need to continue working on how to better share information with outside directors in order to deepen the level of discussion. On top of traditional pre-briefings, a new



**Shigenori Yamauchi**  
Representative Director &  
Chairman of the Board

Member of the Board, president of the former Sumitomo Light Metal Industries, Ltd. Extensive experience on the factory as the general manager responsible for production technologies at the Nagoya Works. Assumed the post as chairman of newly formed UACJ at the time of integration and is currently serving as Representative Director and Chairman of the Board.



**Toshio Suzuki**  
Director, Member of  
the Board (outside)

Professor Emeritus at the University of Tokyo and specialist in materials engineering. His impressive network includes contacts at various prestigious universities in Thailand and the graduates from them. Offers advice to UACJ on the basis of his extensive academic background.



**Ryoko Sugiyama**  
Director, Member of the  
Board (outside)

Former professor at Tokoha University, Faculty of Social and Environmental Studies and specialist in waste disposal. She also serves as an outside director at Lecip Holdings Corporation and Kurita Water Industries Ltd., playing an active role in both industrial and academic worlds. UACJ's first female director.





arrangement has been made for auditors' meetings to take place before board meetings so that the inside auditors who are familiar with the situation can share their information with outside auditors. Furthermore, data relating to a meeting agenda was traditionally distributed the day before a board/auditors' meeting, but this has been changed to three days before for important issues.

**Suzuki:** That change has helped us a great deal. By obtaining data three days beforehand, not only can we understand the details of individual subjects, we can also think in advance how we should approach the agenda as an outside director. As a result, it ensures a more essential and substantial debate.

### Improving Training System and Problem Solutions on the Factory Floor Utilizing the Specialties and Experience of Outside Directors

—As one of the issues pertaining to governance, how to best utilize the knowledge of outside directors is attracting increased attention. What is the UACJ approach to this?

**Yamauchi:** Our two outside directors, Ms. Sugiyama and Mr. Suzuki, attend various meetings and events

when time allows so that they can form in-depth opinions of our management and businesses. They have also traveled with us to visit offices not only in Japan, but also locations in North America and Thailand. They even visited our research center in Nagoya and talked with female research staff.

**Sugiyama:** While I was exchanging opinions on training systems with them, I realized there was a gap between what the men and women were learning using the current system. I pointed out this, taking into account the views of the frontline female researchers. As a result, the Human Resources Division implemented improvements and a wonderful training program has been re-introduced. I hope that I can continue helping make further improvements as the occasion arises, doing so by learning from those with firsthand experience in the programs.

**Yamauchi:** Mr. Suzuki helps us resolve problems in the aluminum casting processes in the capacity of a casting technology expert. He is involved with production technologies and talks with engineers on the factory floor so that he can provide advice for verifying whether or not our approaches comply with casting principles and are solving problems. He also introduced professors from Thailand's most prominent university, leading to interaction with the university that began recently.



**Suzuki:** Partly because my graduates are working in Thailand, my network of contacts has spread among local universities. That's how I was able to introduce the professors at Chulalongkorn University.

**Yamauchi:** Our policy in Thailand is to actively recruit great local talent. Accordingly, we want develop deep relationships with the local universities, including working on joint research projects and, of course, recruiting graduates. I hope that our two outside directors will continue to help us managing the Company and strengthening our governance through their expertise and experience.

## Diversity and Workstyle Reforms Fit for a Global Company

—Finally, could you share your views and suggestions on the future management of UACJ?

**Sugiyama:** UACJ has rapidly expanded overseas businesses since integration, and the number of employees of different nationalities has substantially increased through M&As and local employment. Against this backdrop, we must learn how to make the most of diversity as a global company. This includes paving the way for female staff to demonstrate their full capacities and proactively placing great talent in important positions regardless of one's nationality. It may be difficult to produce tangible results immediately, but I would like UACJ to be a company where women and foreign citizens are naturally playing active parts as directors in 5 or 10 years' time.

**Yamauchi:** What's your view on your specialist areas of environment and recycling resources, Ms. Sugiyama?

**Sugiyama:** As you know, aluminum is a very recycling-friendly material. In addition to can stock, which already has a high recycling ratio, by encouraging the recycling of building and automotive materials and commodities, UACJ can continue making further contributions saving resources and energy. Moreover, as ESG investment has been in the spotlight these days, it is essential to bolster our "commitment", such as

ensuring thorough safety and compliance, as well as environmental awareness. Then, if UACJ can raise our profile by contributing to the environment through our products and businesses, UACJ's existence value in society should appreciate further.

**Suzuki:** Another important issue is "workstyle reform." This goes beyond reducing working hours and improving labor productivity. On the factory floor of the materials and equipment industries, technological



innovation using IoT and AI can significantly change the responsibilities and abilities required of workers in the future. With production bases expanding overseas, it could be a major challenge to implement such reforms in regions where labor practices and other traditions are different from Japan.

**Yamauchi:** Thank you very much for your valuable views. Drawing on opinions and input from the outside directors and auditors, we will continue to commit ourselves to management based on fair and transparent decision-making processes and pursue continuous improvement in corporate value. Furthermore, we will continue to seek an optimal corporate governance system for a global company, striving for stronger and more sophisticated corporate governance.

# Corporate Governance



## Truly Concentrating on Manufacturing with the Aims of Increasing Corporate Value and Improving Management Systems

### Basic Concept

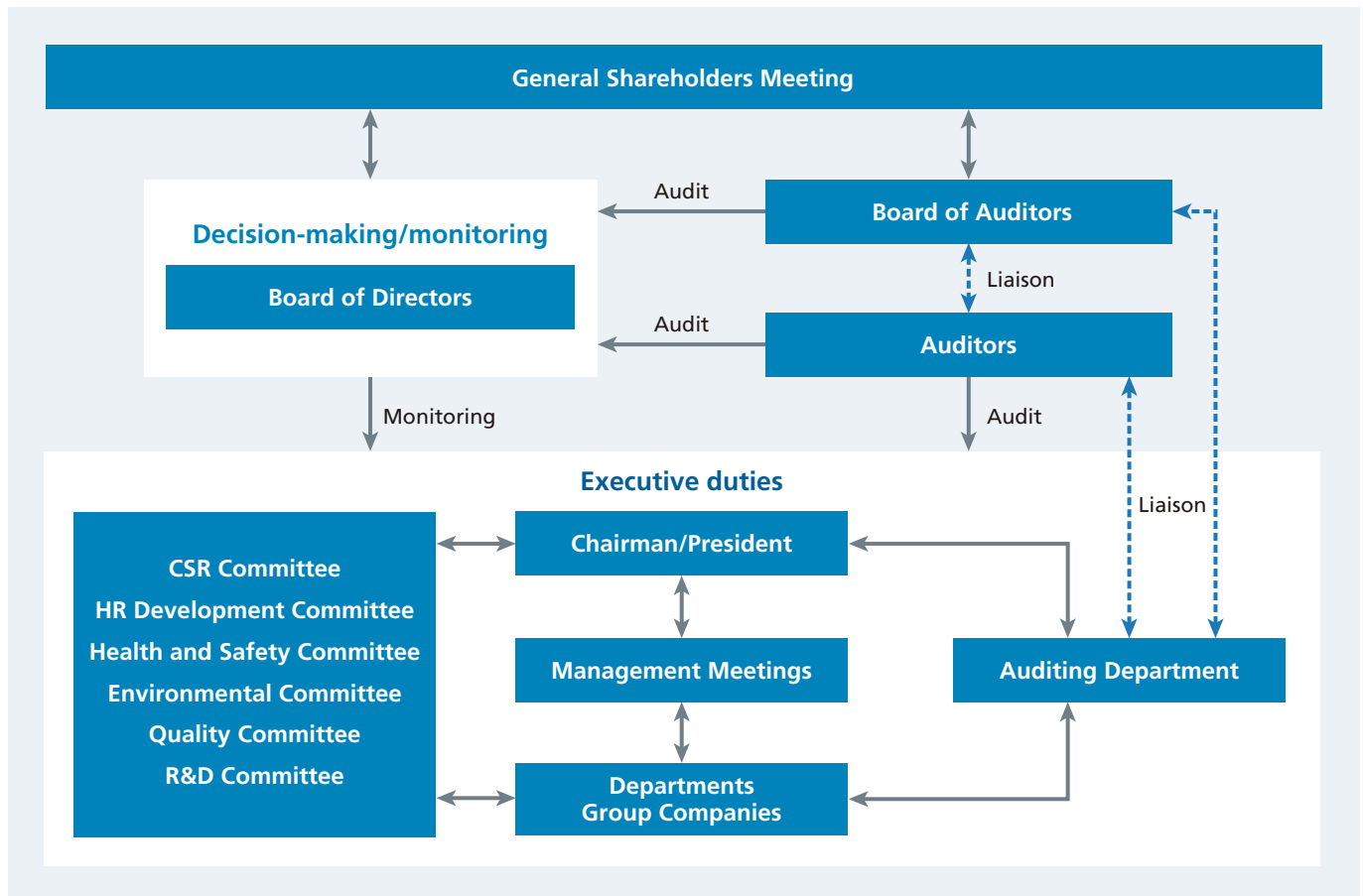
The UACJ Group believes that corporate governance is the basic framework of corporate management that maintains relationships with its various stakeholders (concerned parties), such as shareholders, customers, suppliers, employees and local communities.

Specifically, we believe it is our social responsibility as a company to continuously create products, technologies and services that are useful for society; doing so while

winning the trust of our customers and end-users, and contributing to our stakeholders by giving back through the fruition of healthy corporate activities.

To achieve this, we will press forward with initiatives, including strengthening the functions of the Board of Directors and the Board of Auditors, the establishment of a management supervision system, proper disclosure of management and financial information, the establishment of corporate ethics, and thorough compliance and risk management.

### Corporate Governance System



## Governance Organization

### Governance System

UACJ has introduced an “Executive Officer” system that divides functions between “management decision-making and supervision” and “business execution” to ensure the Board of Directors (BOD) functions with maximum efficiency and conducts business quickly.

BOD meetings are held monthly, at which time 11 directors and four auditors, including two outside directors and three outside auditors, respectively, attend. The meeting agenda includes deliberating important management issues and reporting business operations in compliance with the laws and regulations of the Articles of Incorporation and other internal rules.

In addition to this, a monthly management meeting attended by nine directors, a full-time auditor and 17 executive officers is also held, where members deliberate and review important issues and try to ensure further communication among executives in order to better control business operations.

UACJ also utilizes a “Board of Auditors” system. One of the four auditors has expertise in finance and accounting. The board of auditors meets monthly to share information through periodic audit reports prepared by the full-time auditor and to ensure opportunities for

#### Effectively Evaluating the Board of Directors

To evaluate the effectiveness of the BOD, each year UACJ distributes a questionnaire regarding various issues including the composition and operations of the BOD to directors and auditors, and discusses the responses at BOD meetings.

The fiscal 2016 evaluation confirmed that the UACJ BOD is of an appropriate size, is comprised of diverse members with balanced credentials as a whole, operates properly, and has a system in place to exercise supervisory functions over the management. Moreover, it was also evaluated that, for BOD meeting discussions, a culture has developed in which both members of preliminary review meetings and those attending BOD meetings respect open and constructive discussions and freely exchange opinions.

Additionally, we identified our fiscal 2016 tasks as “spending sufficient time to examine and discuss actively important issues” and “improving preparatory meeting explanations and briefing materials for outside officers.” The evaluation also confirmed that improvements have been made regarding these points. The need to continue to improving these two points has been acknowledged as a future task.

On the basis of these evaluations, initiatives were set for enhancing discussions on important issues and striving to better operate the BOD in order to accelerate globalization and achieve sustainable growth.

in-depth exchanges with outside auditors.

Auditors attend important internal meetings such as BOD meetings, pursuant to auditors’ auditing standards, audit policies and audit plans. In this way, we ensure that the Board of Auditors has a system capable of auditing the directors’ execution of duties as an independent organ playing a role in corporate governance.

### Remuneration for Officers

Regarding the remuneration paid to UACJ directors and auditors, the contents of the resolution made during the June 2006 general stockholders’ meeting of the former Furukawa-Sky Aluminum Corporation have been maintained. Specifically, the annual remuneration cap for directors is ¥450 million excluding normal employee salaries, and that for auditors is ¥75 million. The amounts paid to directors are limited to that which is approved at shareholders’ meetings and confirmed in a BOD meeting. Determination of the amounts paid to directors is calculated considering various factors, such as working full-time or part-time and position in the company. A portion of the remuneration paid is performance based.

The amounts of paid to auditors are also within the limit approved at the shareholders’ meeting, and further determined through consultation with the auditors.

The UACJ Group does not offer stock options as a means of providing remuneration to officers.

#### Remuneration for directors and auditors in fiscal 2016

Classification	Number of officers	Remuneration
Directors (Outside Directors)	12 (2)	¥363 million (¥14 million)
Auditors (Outside Auditors)	6 (4)	¥54 million (¥11 million)
Total (Outside Officers)	18 (6)	¥417 million (¥25 million)

### Training Officers

To promote adequate performance of duties, it is the policy of UACJ to provide various training programs for directors and auditors upon assuming their positions and during their terms of service.

New officer training includes a briefing for all directors and auditors, in which their roles and responsibilities are clarified. For outside officers, attendance in various committee meetings and debriefing sessions, and visits to production sites including those overseas, are organized to familiarize themselves with the Group, such as businesses, finances and organizational structure.

Ongoing training while assigned to their positions includes training to deepen their understanding of governance and discuss various issues facing the Group. Additional training sessions are also provided depending on the knowledge, experience and capacity of each individual.



### Appointing Officers

The appointment of senior management, including directors, at UACJ is based on making appropriate decisions on personnel evaluations and taking into consideration a candidate’s career and abilities, including job experience, positions and qualifications. The most suitable executive appointments are then decided.

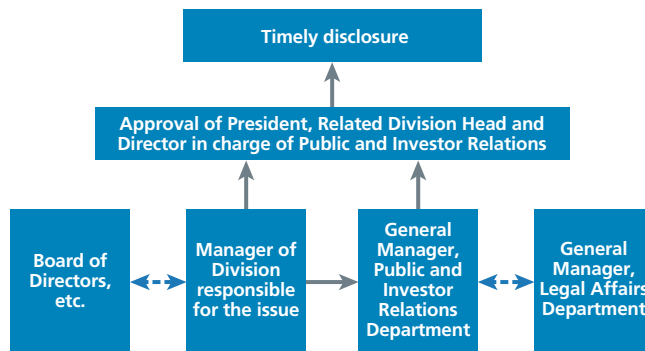
Based on the criteria stipulated in the Companies Act and by the Tokyo Stock Exchange, we select individuals expected to contribute to frank, lively and constructive discussions at BOD meetings as independent outside directors. One of the two independent outside directors is female.

We will continue to focus on progression of the system, taking into consideration the balance, diversity and size of the BOD as a whole in terms of expertise, experience and abilities.

### Information Disclosure

To ensure timely and appropriate information disclosure to investors, UACJ introduced a system in which the director in charge of the Public and Investor Relations Division is responsible for disclosure, and the general manager of the Public and Investor Relations Department is in charge of administrative affairs.

#### Timely Disclosure System



### Reason for Appointing Outside Directors/Auditors and Their Activities

Classification	Full name	Reason for appointment	Activities
Outside director, member of the board	Toshio Suzuki	As a Professor Emeritus of The University of Tokyo, Toshio Suzuki has a rich academic background and an objective viewpoint. We were confident that these features would enable him to perform duties assigned, and requested him to assume the position as one of the outside directors of UACJ. Appointed as an independent outside director based on the evaluation that he is not in a position that could cause a conflict of interest with general shareholders.	Attended all 15 of the BOD meetings held during fiscal 2016, openly expressing his opinion from an objective viewpoint and confidently supporting his comments based on his rich academic experience as a Professor Emeritus.
	Ryoko Sugiyama	Having tenured experience as an academic at a university and an impressive background in business management including being a director at various companies, we were confident that Ryoko Sugiyama would perform duties assigned to her and accordingly requested her to accept the position of outside director at UACJ. Appointed as an independent outside director based on the evaluation that she is not in a position that could cause a conflict of interest with general shareholders.	Attended 14 of the 15 BOD meetings held in fiscal 2016. Openly expressed her opinions from an objective point of view, clearly showing her poise and experience as a university professor and company director.
Outside auditor & board supervisory role	Akari Asano	Given his long experience and extensive knowledge gained through management positions such as the general manager of an administrative department and corporate executive, we were certain that Akari Asano was an excellent choice for performing the duties of an outside auditor and requested him to work with UACJ. Appointed as an independent outside director based on the evaluation that she is not in a position that could cause a conflict of interest with general shareholders.	Attended all 15 BOD meetings and 13 Board of Auditors meetings throughout fiscal 2016. Openly commented and expressed his opinions backed by his years of experience accumulated as a company executive.
	Tetsuya Sato	Possessing a broad knowledge of the corporate world and many years of experience, including holding the position of auditor at Furukawa Electric Co., Ltd., we felt Tetsuya Sato was an ideal choice for the position of outside auditor and requested him to work with UACJ.	Attended 13 of 15 BOD meetings 11 of 13 Board of Auditors meetings held during the fiscal 2016. Openly commented and expressed his opinions based on his wealth of knowledge and broad perspective as a company officer.
	Atsuki Matsumura	In addition to having experience in corporate management as the president and representative director of Siltronic Japan Corporation, Atsuki Matsumura also engaged in management at Nippon Steel & Sumitomo Metal Corporation and its Group as an operating officer. With his wealth of knowledge and broad business perspective, we were confident he would perform his duties accordingly and asked him to take a position as an outside auditor.	Attended all 15 BOD meetings and 13 Board of Auditors meetings held during fiscal 2016. Openly expressed his opinions backed abundant experience and good insight as a corporate officer.

Specifically, based on various regulations set forth by the Financial Instrument Exchange, any information that is likely to be classified as an issue requiring disclosure is immediately reported by the manager of the division responsible for the issue to the general manager of the Public and Investor Relations Department. The general manager of the Public and Investor Relations Department then consults with the general manager of the Legal Affairs Department, as needed, and decides whether or not to disclose the information. If the decision is made to disclose information, the general manager must first obtain approval from the head of the division concerned and the president of UACJ.

### Constructive Dialogue with Shareholders

In addition to appointing a director in charge of the Public and Investor Relations, UACJ has assigned the Public and Investor Relations Department as the department responsible for investor relations.

Results briefings and teleconferences are held for shareholders and investors on a quarterly basis, with one-on-one meetings and small meetings with the President arranged when required. In addition, of these we host factory tours twice a year for shareholders in order for them to deepen their understanding of our businesses.

We also have a basic policy to visit investors in the U.S.A., Europe and Asia once a year.

We try to improve information disclosure even further through initiatives such as information dissemination through our website and issuing consolidated reports. The UACJ website has received high evaluation from external institutions, and came in eighth in the overall standings of the "Fiscal 2016 Adequacy Ranking of All Listed Company Homepages."



Factory tour

## CSR Management

In order to strengthen CSR management, UACJ established a CSR Committee for the purpose of creating a CSR promotion system to control group-wide, cross-sectional implementation of activities. This committee is chaired by the president and includes full-time directors, general managers from the headquarters and factories, and the presidents of related sales companies. To improve CSR management, the CSR Committee meets once a year to discuss and report on general policies and measures related to CSR, including compliance, risk management, and the training and enlightenment of executives and senior staff. Each committee member then disseminates the policies and measures discussed by the committee throughout the Group companies to further develop initiatives.

## Compliance

In order to ensure the legitimacy and fairness of individual group companies' operations and duties, the UACJ Group CSR Committee is the center for initiatives such as conducting workshops and education through the distribution of manuals and pressing forward with compliance activities, including checking for any breach of laws and regulations. We also try to catch any non-compliance at an early stage and correct the situation by utilizing a whistleblower system.

Furthermore, operational audits led by the Internal Auditing Department are carried out for each business group. The results are reported to auditors and the President to ensure thorough compliance is maintained throughout the Group.

## Risk Management

In the UACJ Group, risks in common throughout the Group regarding the environment, health and safety, product quality, information security and export control are addressed appropriately according to risk management regulations. Extracted risks are listed and reassessed in terms of their materiality and frequency of occurrence. Particularly, materials risks are featured in specific fiscal year tasks as "Serious Risks" and we strive to mitigate them. The progress of such efforts is confirmed at CSR Committee meetings.

Meanwhile, risks specific to individual business groups are managed by each business group and cross-departmental risk management is driven by the CSR Committee.

## Board of Directors (as of June 29, 2017)

## Directors


**Shigenori Yamauchi**  
 Representative Director &  
 Chairman of the Board

Jul. 1971 Joined Sumitomo Light Metal Industries, Ltd.  
 Jun. 2002 Company Director  
 Jun. 2004 Managing Director  
 Apr. 2005 Director and Managing Executive Officer  
 Apr. 2007 Director and Senior Managing Executive Officer  
 Jun. 2009 President and CEO  
 Oct. 2013 Chairman of the Board CEO, UACJ Corporation  
 Apr. 2016 Representative Director & Chairman of the Board (current)


**Mitsuru Okada**  
 Representative Director &  
 President

Apr. 1982 Joined Furukawa Electric Co., Ltd.  
 Jun. 2008 Director, Furukawa-Sky Aluminum Corp.  
 Jun. 2010 Managing Director  
 Jun. 2012 President  
 Oct. 2013 Member of the Board, President CEO, UACJ Corporation  
 Apr. 2016 Representative Director & President (current)


**Takayoshi Nakano**  
 Director, Member of the Board  
 Senior Managing Executive Officer

Apr. 1978 Joined Nippon Steel Corporation (now Nippon Steel & Sumitomo Metal Corporation)  
 Apr. 2004 Manager, European Office  
 Jun. 2009 Advisor, Furukawa-Sky Aluminum Corp.  
 Jun. 2010 Director  
 Jun. 2012 Managing Director  
 Jun. 2013 Director and Managing Executive Officer  
 Oct. 2013 Director, Member of the Board Managing Executive Officer, UACJ Corporation  
 Apr. 2015 Director, Member of the Board Senior Managing Executive Officer (current)


**Kazuhisa Shibue**  
 Director, Member of the Board  
 Senior Managing Executive Officer

Apr. 1980 Joined Sumitomo Light Metal Industries, Ltd.  
 Apr. 2010 Executive Officer  
 Oct. 2013 Managing Executive Officer, UACJ Corporation  
 Jun. 2014 Director, Member of the Board Managing Executive Officer  
 Apr. 2017 Director, Member of the Board, Senior Managing Executive Officer (current)


**Kiyoshi Tanaka**  
 Director, Member of the Board  
 Managing Executive Officer

Apr. 1981 Joined Furukawa Electric Co., Ltd.  
 Jun. 2010 Director, Furukawa-Sky Aluminum Corp.  
 Jun. 2013 Director and Managing Executive Officer  
 Oct. 2013 Director, Member of the Board Managing Executive Officer, UACJ Corporation (current)


**Hisashi Hasegawa**  
 Director, Member of the Board  
 Managing Executive Officer

Apr. 1980 Joined Furukawa Electric Co., Ltd.  
 Jun. 2009 Director and General Manager, Finance and Accounting Dept., Furukawa-Sky Aluminum Corp.  
 Jun. 2012 Managing Director  
 Jun. 2013 Managing Executive Officer  
 Oct. 2013 Managing Executive Officer, UACJ Corporation  
 Jun. 2015 Director, Member of the Board Managing Executive Officer (current)

**Miyuki Ishihara****Director, Member of the Board  
Managing Executive Officer**

Apr. 1981 Joined Sumitomo Light Metal Industries, Ltd.  
 Oct. 2012 Executive Officer  
 Oct. 2013 Executive Officer, UACJ Corporation  
 Jun. 2015 Director, Member of the Board, Executive Officer  
 Apr. 2017 Director, Member of the Board, Managing Executive Officer (current)

**Mizuho Taneoka****Director, Member of the Board  
Managing Executive Officer**

Sep. 2010 Joined Sumitomo Light Metal Industries, Ltd.  
 Oct. 2012 Executive Officer  
 Oct. 2013 Executive Officer, UACJ Corporation  
 Apr. 2017 Managing Executive Officer  
 Jun. 2017 Director, Member of the Board, Managing Executive Officer (current)

**Masahiro Teshima****Director, Member of the Board  
Managing Executive Officer**

Apr. 1982 Joined Sumitomo Light Metal Industries, Ltd.  
 Apr. 2014 Executive Officer, UACJ Corporation  
 Oct. 2014 Executive Officer  
 Apr. 2017 Managing Executive Officer  
 Jun. 2017 Director, Member of the Board, Managing Executive Officer (current)

## Outside Members of the Board

**Toshio Suzuki****Director, Member of the Board (outside)**

Apr. 1988 Assistant Professor, University of Tokyo  
 Jun. 1994 Professor  
 Apr. 1995 Professor of Graduate School  
 Mar. 2012 Retirement  
 Jun. 2012 Professor Emeritus, University of Tokyo (current)  
 Oct. 2013 Director, Member of the Board (outside), UACJ Corporation (current)

**Ryoko Sugiyama****Director, Member of the Board (outside)**

May 1996 Established Sugiyama & Kurihara Environmental Consultants, Inc., Representative Director  
 Dec. 1997 Director, Gifu Shimbum  
 Dec. 1999 Director, Gifu Broadcasting System, Inc. (current)  
 Apr. 2010 Professor, Fuji Tokoha University (currently Tokoha University) Faculty of Social and Environmental Studies  
 Jun. 2010 Outside Director, Lecip Holdings Corporation (current)  
 May 2014 Owner, Chairman, Gifu Shimbum (current)  
 Jun. 2015 Director, Member of the Board (outside), UACJ Corporation (current)  
 Jan. 2016 Representative Director, Gifu Sugiyama Memorial Foundation (non-government incorporated foundation) (current)  
 Mar. 2017 Professor Emeritus of Tokoha University, Faculty of Social and Environmental Studies  
 Jun. 2017 Outside Director, Kurita Water Industries Ltd. (current)



## Audit & Supervisory Board Members



### Nobuhiro Ishihara

#### Audit & Supervisory Board Member

Apr. 1980 Joined Furukawa Electric Co., Ltd.  
 Oct. 2003 General Manager, General Affairs Dpt.,  
 Fukui Works, Rolled Products Div.,  
 Furukawa-Sky Aluminum Corp.  
 Jun. 2004 General Manager, General Affairs Div.,  
 Nuclear Fuel Industries, Ltd.  
 Jun. 2008 Director and General Manager, General  
 Affairs Dept.  
 May 2009 Executive Officer and General Manager,  
 General Affairs Dept.  
 Jun. 2010 Full-time Statutory Auditor, Furukawa-Sky  
 Aluminum Corp.  
 Oct. 2013 Audit & Supervisory Board Member, UACJ  
 Corporation (current)

## Outside Audit & Supervisory Board Members



### Akari Asano

#### Audit & Supervisory Board Member (outside)

Apr. 1970 Joined MITSUBISHI RAYON CO., LTD.  
 Jun. 2003 General Manager, General Affairs  
 Department  
 Jun. 2004 Senior Director  
 Jun. 2008 Resigned from MITSUBISHI RAYON CO., LTD.  
 Jun. 2009 Outside Statutory Auditor of Sumitomo Light  
 Metal Industries, Ltd.  
 Jun. 2013 Outside Statutory Auditor, Furukawa-Sky  
 Aluminum Corp.  
 Oct. 2013 Audit & Supervisory Board Member (outside),  
 UACJ Corporation (current)



### Tetsuya Sato

#### Audit & Supervisory Board Member (outside)

Apr. 1975 Joined the Ministry of International Trade  
 and Industry (currently the Ministry of  
 Economy, Trade and Industry)  
 Jul. 2002 Deputy Director-General for Technical  
 Regulations, Standards and Conformity  
 Assessment Policy  
 Jun. 2004 Retired from the Ministry of Economy, Trade  
 and Industry  
 Jul. 2004 Senior Director of The Shoko Chukin Bank  
 (currently The Shoko Chukin Bank, Ltd.)  
 Jul. 2006 Resigned from Senior Director of The Shoko  
 Chukin Bank, Ltd.  
 Aug. 2006 Corporate Vice President of Furukawa  
 Electric Co., Ltd.  
 Jun. 2007 Director, Member of the Board and  
 Corporate Vice President  
 Jun. 2009 Director, Member of the Board and  
 Corporate Senior Vice President  
 Jun. 2013 Outside Statutory Auditor, Furukawa-Sky  
 Aluminum Corp.  
 Oct. 2013 Audit & Supervisory Board Member (outside),  
 UACJ Corporation (current)  
 Apr. 2014 Director, Member of the Board and  
 Corporate Executive Vice President of  
 Furukawa Electric Co., Ltd.  
 Apr. 2015 Director, Member of the Board  
 Jun. 2015 Audit & Supervisory Board Member (current)



### Atsuki Matsumura

#### Audit & Supervisory Board Member (outside)

Apr. 1986 Joined Nippon Steel Corporation  
 Aug. 2008 President and Representative Director  
 and General Manager, Sales Management  
 Department, Siltronic Japan Corporation  
 Dec. 2012 Joined Nippon Steel & Sumitomo Metal  
 Corporation Senior Principal Manager,  
 Corporate Planning Division  
 Mar. 2015 Auditor, Nippon Steel & Sumikin Chemical  
 Co., Ltd.  
 Apr. 2015 Advisor, Corporate Planning Division, Nippon  
 Steel & Sumitomo Metal Corporation  
 Jun. 2015 Auditor, NS Solutions Corporation  
 Apr. 2016 Executive Officer, Nippon Steel & Sumitomo  
 Metal Corporation (current)  
 Jun. 2017 Auditor, Nippon Steel & Sumikin Materials  
 Co., Ltd. (current), resigned from auditor of  
 Nippon Steel & Sumikin Chemical Co., Ltd.,  
 resigned from auditor of NS Solutions  
 Corporation

## Executive Officers

**Hironori Tsuchiya**  
Senior Managing  
Executive Officer

**Youji Shimizu**  
Managing Executive  
Officer

**Hiroyuki Fukui**  
Managing Executive  
Officer

**Katsuyasu Niibori**  
Managing Executive  
Officer

**Akinori Yamaguchi**  
Executive Officer

**Teiichi Abe**  
Executive Officer

**Teruo Kawashima**  
Executive Officer

**Masataka Taguchi**  
Executive Officer

**Akito Imaizumi**  
Executive Officer

**Akira Matsushita**  
Executive Officer

**Kimitoshi Inagaki**  
Executive Officer

**Akinori Yoshida**  
Executive Officer

**Yasuhiro Hosomi**  
Executive Officer

**Takahide Otani**  
Executive Officer

**Yukio Takekawa**  
Executive Officer

**Yukihiro Kuwamoto**  
Executive Officer

**Henry Gordinier**  
Executive Officer

## Financial Results

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## 10-Year Financial Data

		Fiscal 2007	Fiscal 2008	Fiscal 2009
<b>Operating performance and profitability (consolidated)</b>				
Net sales	Total	580,637	506,826	419,118
Operating income (loss)	Total	31,775	(6,860)	5,780
Ordinary income (loss)	Total	25,151	(14,883)	2,357
Income before income taxes (loss)	Total	20,287	(21,431)	(9,491)
Net income attributable to owners of the parent (loss)	Total	11,793	(29,643)	(7,250)
Operating margin	Total	5.5%	(1.4%)	1.4%
Net income/net sales	Total	2.0%	(5.8%)	(1.7%)
<b>Financial condition and efficiency (consolidated)</b>				
Total assets	Total	608,902	514,974	510,073
Net assets	Total	134,861	75,624	88,217
Shareholders' equity	Total	128,304	72,964	86,858
Interest bearing debt	Total	270,720	278,623	252,340
Current assets	Total	237,480	175,170	180,576
Noncurrent assets	Total	371,418	339,801	329,498
Current liabilities	Total	289,816	258,666	238,684
Noncurrent liabilities	Total	184,225	180,682	183,172
Shareholders' equity ratio	Total	21.1%	14.2%	17.0%
Return on equity (ROE)	UACJ/Furukawa-Sky	8.8%	(17.7%)	(1.3%)
	Sumitomo Light Metal	10.4%	(50.9%)	(28.4%)
<b>Consolidated cash flows</b>				
Cash flows from operating activities	Total	24,768	14,644	31,181
Cash flows from investing activities	Total	(23,215)	(23,339)	(10,840)
Free cash flow	Total	1,553	(8,695)	20,341
Cash flows from financing activities	Total	(16,485)	9,399	(21,969)
<b>Per share information</b>				
Current net profit (loss) (yen)	UACJ/Furukawa-Sky	28.18	(50.64)	(3.39)
	Sumitomo Light Metal	14.69	(49.42)	(15.95)
Dividend (yen)	UACJ/Furukawa-Sky	8.0	6.0	2.0
	Sumitomo Light Metal	3.0	0.0	0.0
<b>Capital investment and R&amp;D costs (Consolidated)</b>				
Capital investment	Total	20,805	19,235	11,255
Depreciation and amortization costs	Total	20,141	25,128	24,501
R&D costs	Total	4,967	5,008	4,602

Unit: millions of yen (rounded off)

Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
466,699	452,898	436,485	364,107	572,541	575,735	568,316
27,933	18,709	15,069	17,772	23,679	15,212	25,869
23,146	16,595	14,606	16,798	21,337	12,010	19,819
18,676	10,098	9,743	15,523	18,856	13,976	18,281
19,157	11,838	4,656	9,946	8,649	5,105	8,715
6.0%	4.1%	3.5%	4.9%	4.1%	2.6%	4.6%
4.1%	2.6%	1.1%	2.7%	1.5%	0.9%	1.5%
524,527	535,148	536,200	608,490	677,952	662,543	725,443
105,174	124,440	138,166	168,140	187,136	178,582	198,360
103,921	122,985	136,387	155,515	172,305	165,030	184,090
242,035	225,324	215,318	256,309	295,953	289,006	323,825
205,286	204,890	191,653	236,638	269,889	263,409	305,563
319,240	330,257	344,547	371,852	408,063	399,135	419,880
237,988	263,221	251,858	236,387	287,884	249,784	237,650
181,364	147,487	146,175	203,963	202,932	234,177	289,433
19.8%	23.0%	25.4%	25.6%	25.4%	24.9%	25.4%
18.6%	5.1%	4.3%	8.6%	5.3%	3.0%	5.0%
23.1%	19.1%	2.7%	—	—	—	—
35,923	36,239	29,032	14,233	26,777	22,511	28,393
(13,595)	(38,120)	(21,520)	(25,452)	(49,668)	(34,759)	(55,456)
22,328	(1,881)	7,512	(11,219)	(22,891)	(12,248)	(27,063)
(5,441)	(8,034)	(12,887)	14,067	25,694	11,176	49,478
52.70	15.59	13.85	30.36	20.21	11.94	20.16
16.64	14.95	2.59	—	—	—	—
6.0	6.0	6.0	9.0	6.0	6.0	6.0
0.0	1.5	3.5	—	—	—	—
9,092	13,351	25,554	27,104	46,539	30,489	31,556
23,445	22,821	20,121	17,165	22,636	22,893	23,508
4,886	5,111	5,031	3,688	4,619	4,630	4,412

Note: Accounting principles for notes maturing at the end of the fiscal year changed in fiscal 2013. However, the figures prior to retrospective treatment are shown for the main management indicators and other records prior to fiscal 2012. The figures before fiscal 2012 are a simple total of the two former companies, Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. In fiscal 2013, the figures reported for the first-half year are the amounts for both former companies, and those for the last half-year are the business results for UACJ.



## Analysis of Business Performance and Financial Position (Consolidated Basis)

### 1. Business Performance

#### Business Environment

In fiscal 2016, ended March 31, 2017, the global economy was generally characterized by modest recovery. The Japanese economy remained in a moderate recovery phase in both the corporate and household sectors.

In this environment, demand in the flat-rolled aluminum industry was generally robust. Demand for sheet products benefited from an ongoing rise in demand for mainstay beverage cans and automotive materials. Demand for use in LCD and semiconductor fabrication equipment was also solid, pushing up overall domestic demand year on year. Total shipment volume, including domestic demand and imports, was up for the third consecutive year.

In extruded products, demand was favorable for products related to trucks and buses, as was construction-related demand. Consequently, total shipment volume was up for the first time in three years.

Within the wrought copper industry, the mainstay category of copper pipes for air conditioners benefited from firm domestic production of household and

commercial air conditioners. As a result, domestic shipment volumes were up year on year in both categories.

#### Financial Results Overview

In fiscal 2016, the UACJ Group recorded a 1.3% year-on-year decline in net sales, to ¥568.3 billion. This slight decrease was the result of a decrease on a foreign exchange basis due to yen appreciation, as well as to a downturn in primary ingot prices, despite higher sales volumes centered on automotive materials and materials for use in LCD and semiconductor fabrication equipment.

Income was affected by costs associated with raising funds through a public offering and subordinated loans, but cost reductions due to the effects of integration exceeded our expectations. Also, increases in productivity and production volume at the Rayong Works of UACJ (Thailand) Co., Ltd. (UATH), pushed up the company's performance, having a significant positive influence on Group results. In addition, energy prices decreased, sales volumes rose, and the negative effect of inventory valuations subsided due to a decline in primary ingot prices. As a result, operating income surged 70.1%, to ¥25.9 billion, and ordinary income was ¥19.8 billion, up 65.0%.

Ordinary income before the impact of inventory valuations, which measures real performance, was up

#### Principal measures of operating performance

Unit: billions of yen

	Fiscal 2015	Fiscal 2016	Fiscal 2017 (Forecast)
Consolidated net sales	575.7	<b>568.3</b>	630.0
Consolidated operating income	15.2	<b>25.9</b>	36.0
Ordinary income before the impact of inventory valuation	20.3	<b>24.0</b>	25.2
Consolidated ordinary income	12.0	<b>19.8</b>	30.0
Net income attributable to owners of the parent	5.1	<b>8.7</b>	17.0
Adjusted EBITDA	52.3	<b>56.8</b>	60.4

#### Assumptions and sensitivities

	Fiscal 2016	Fiscal 2017 (Forecast)	Sensitivity on Ordinary Income
Nikkei average price of aluminum (¥/kg)	236	275	¥10/kg change→¥2.0–3.0 billion
LME (\$)	1,688	1,900	\$100/t change→¥2.2–¥3.5 billion
Foreign exchange (¥/\$)	109	112	Almost no impact
Foreign exchange (¥/Thai baht)	3.08	3.30	-Fuel and additional material: Positively affected by stronger yen
Crude oil (\$)	45	55	-Rolling margin, forex conversion: Positively affected by weaker yen
			\$10 change→Approx. ¥1.0 billion

18.2%, to ¥24.0 billion. Adjusted EBITDA increased 8.6%, to ¥56.8 billion.

Net income attributable to owners of the parent was ¥8.7 billion, up 70.7% year on year.

## 2. Forecast for Fiscal 2017

### Issues to be Addressed

We expect the Japanese economy to continue its modest recovery, sustained by ongoing monetary easing, a rebound in exports, firm consumption and capital investment. Overseas, however, we expect the situation to grow increasingly opaque. We foresee mounting geopolitical risk in the Middle East and the Korean peninsula. In addition, we have concerns about the direction of the new US administration’s policies and the impact of the United Kingdom exiting the European Union and see a Chinese economic downturn as a potential risk.

Under these economic conditions, we face the risk of rising energy prices, stemming from OPEC’s decision to reduce production and concerns about the US administration’s efforts to weaken the dollar. Despite such uncertainties affecting our operating performance, we will push forward with initiatives for specific development in each business area under Global Step I, our medium-term management plan, as we work to

establish a revenue base that is resilient to economic fluctuations and ensure sustainable growth.

### Financial Performance Forecast for the Next Term

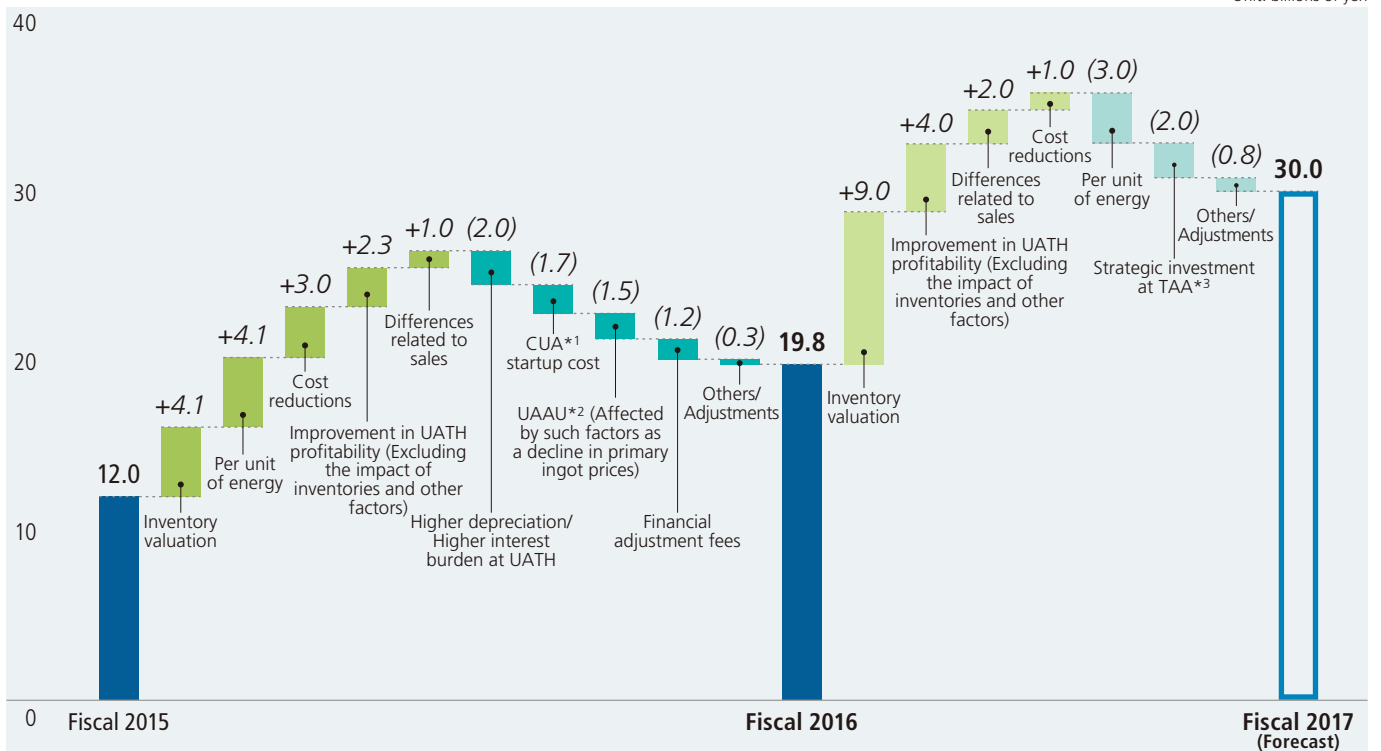
Fiscal 2017 marks the final year of Global Step I, our medium-term management plan. During the year, we expect the sales volume to rise. In addition to sharply higher sales of can materials from UATH’s Rayong Works, we anticipate higher sales for the automotive sector and of products for LCD and semiconductor fabrication equipment. Taking into account these factors and the impact of a rise in primary ingot prices, we expect net sales to grow ¥61.7 billion, to ¥630.0 billion.

We expect profits to grow substantially, rising to the highest level since the management integration, due to higher sales volumes, further profitability improvements at UATH’s Rayong Works, cost reductions due to integration effects, and improved inventory valuations stemming from a rise in primary ingot prices. We anticipate a ¥10.1 billion increase in operating income, to ¥36.0 billion; a ¥10.2 billion rise in ordinary income, to ¥30.0 billion; and an ¥8.3 billion expansion in net income attributable to owners of the parent, to ¥17.0 billion.

We expect ordinary income before the impact of inventory valuation, which measures real performance, of ¥25.2 billion, up ¥1.2 billion year on year. We also forecast a ¥3.6 billion rise in adjusted EBITDA, to ¥60.4 billion.

### Analysis of consolidated ordinary income

Unit: billions of yen



\*1 CUA: Constellium-UACJ ABS LLC \*2 UAAU: UACJ Australia Pty. Ltd. \*3 TAA: Tri-Arrows Aluminum Inc.

### 3. Returning Profit to Shareholders

#### Dividend Policy

We believe it is important to return profits to shareholders in the form of dividends. While our basic policy is to provide stable and sustainable dividends, we also comprehensively consider a variety of factors when making decisions on dividend amounts. These factors include trends in corporate performance, securing funds to invest in improving corporate value and R&D to boost competitiveness, and strengthening our financial standing.

Our general policy is to pay dividends twice annually: an interim dividend that is decided by the Board of Directors and a fiscal year-end dividend that is decided at the General Meeting of Shareholders.

The interim and year-end dividends for fiscal 2016 were ¥3 each. For first 2017, we anticipate a total dividend of ¥6 per share, comprising an interim dividend of ¥3 and a year-end dividend of ¥3.

Note: Figures are before changes in the number of shares constituting one trading unit and a reverse stock split (to change on October 1, 2017).

### 4. Financial Position

#### Balance Sheet Analysis

Total assets at the end of fiscal 2016 were ¥725.4 billion, up 9.5% from one year earlier, affected by the April 2016 acquisition of shares in UACJ Automotive Whitehall Industries, Inc. (UWH), a US company that manufactures and sells automotive aluminum structural materials and parts.

Total liabilities rose 8.9%, to ¥527.1 billion, due to the UWH acquisition and an increase in long-term loans payable for strategic investments in TAA's Logan Mill and UATH's Rayong Works.

Net assets were ¥198.4 billion, up 11.1%, due to increases in the capital stock and capital surplus as a result of new share issuance, plus a rise in retained earnings owing to the posting of net income attributable to owners of the parent.

#### Raising Funds to Strengthen the Financial Base

In March 2017, the Group raised funds through a public offering and subordinated loans. The ¥14.6 billion raised through the public offering was applied toward the commercial paper issued to fund capital investments at UATH's Rayong Works. The ¥40.0 billion in subordinated loans was raised mainly for capital investments.

This combined approach toward our financial balance was aimed at ensuring a stable financial structure while

curtailing the dilution of shareholders equity, as subordinated loans are given a 50% capital weighting (equivalent to ¥20.0 billion) in credit rating terms.

#### Research and Development

The UACJ Research & Development Division, the heart of the Group's R&D, aims to respond to diverse customer needs and environmental, energy and social changes by engaging in the basic development to technologies involving the utilization of products.

To accelerate the development of innovative products and technologies that are ahead of the times, in fiscal 2016 we continued to proactively liaise with leading-edge global research institutions. We also concentrated on nurturing human resources that can be active on a global stage and ensuring thorough compliance.

Total R&D expenditure amounted to ¥4.4 billion in fiscal 2016.

#### Rolled Aluminum Products Business

For our mainstay flat-rolled aluminum products, the focus is on R&D that enables the Group to respond to increasingly diversified and sophisticated customer needs in a wide spectrum of fields, including can stock, automotive panel materials, automotive heat exchangers, air conditioners, IT-related devices, memory disks, thick plates for tankers and lithium-ion battery current collectors.

To raise productivity and lower manufacturing costs and environmental impact, we are developing new processes from both tangible and intangible perspectives and moving forward proactively with the introduction of IoT technologies. We are also pursuing the further development of simulation technologies and enhancing our basic technologies, such as by increasing the sophistication of analysis instruments. We are also participating in the Innovative Structural Materials Project, commissioned by Japan's Ministry of Economy, Trade and Industry, in the aim of developing new alloys that can be used in the construction of next-generation aircraft.

Regarding extruded products, we are developing automotive heat exchanger materials—an area of strength—and pushing forward with the development of aluminum alloy materials to meet new demand in areas such as aircraft and automotive structural parts and smartphone cases.

Regarding cast products, we are proactively developing high-value-added aluminum components such as compressor wheels, which only a few companies worldwide have the ability to manufacture.

In fiscal 2016, we earned accolades for the tailored aluminum blank materials we developed for friction stir welded joints that connect materials of different thicknesses, winning the Cho Monozukuri Innovative Automotive Parts and Components Award together with

our development partner, Pacific Industrial Co., Ltd.

R&D expenditures for rolled aluminum products totaled ¥4.3 billion in fiscal 2016.

### Wrought Copper Products Business

In the wrought copper products segment, we are developing high-strength copper pipe for air conditioners, contributing greatly to the development and mass production of air conditioners with higher performance and greater energy savings.

We are proceeding with the development of materials to prevent infestation by ant nests, and have begun mass producing a new alloy for this purpose. We were presented the 50th Research Paper Award from the Japan Copper and Brass Association for the clarification of this corrosion mechanism.

In fiscal 2016, R&D expenditures for wrought copper products totaled ¥0.1 billion.

### Precision-machined Components and Related Businesses

In the precision-machined components and related businesses, we are developing cooling devices such as a high-performance, precise power control devices, and have already begun sample shipments. We anticipate increased sales in this category, as demand for high-performance applications expands.

We are proceeding with the development of all-aluminum heat exchangers for air conditioners, utilizing the combined technological prowess of Group companies and applying technologies accumulated in the fields of materials and evaluation. Mass production commenced in fiscal 2015, and we are now working to increase sales further.

In automotive parts, we are mass producing and endeavoring to expand sales for our ultralight aluminum bumper system that complies with global specifications. We are also endeavoring to increase the scope of application for aluminum parts in response to growing demand for use in automotive structural materials in Japan and North America.

During the year, R&D expenditures for precision-machined components and related businesses was ¥5 million.

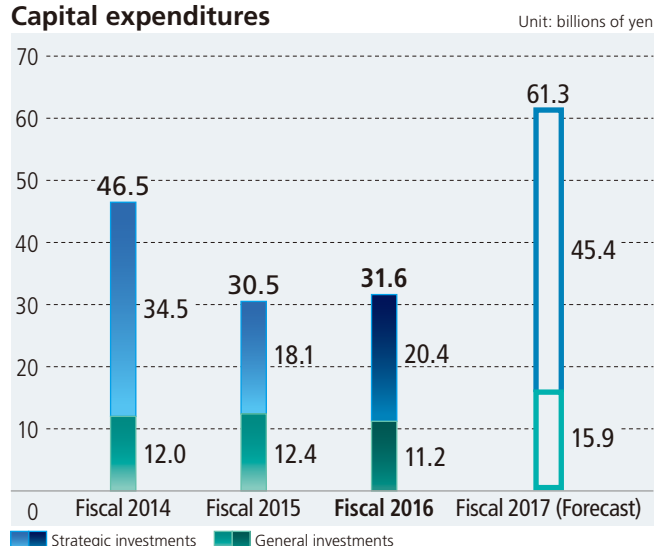
## Capital Investment

Capital investment in fiscal 2016 totaled ¥31.6 billion, including ¥20.4 billion for strategic investments into growth areas and regions, and ¥11.2 billion in general investments for the maintenance and renewal of existing facilities. By segment, we invested ¥28.3 billion in rolled aluminum products, ¥0.4 billion in wrought copper products and ¥2.6 billion in precision machined components and related businesses, with ¥0.2 billion in investment shared among segments.

Major strategic investments went toward bolstering the production of flat-rolled aluminum, including casting capabilities, at TAA's Logan Mill in response to growing North American demand. This investment will continue into fiscal 2017.

In fiscal 2017, we plan capital investments totaling ¥61.3 billion, comprising ¥45.4 billion in strategic investments and ¥15.9 billion in general investments.

### Capital expenditures



## Analysis of Capital Resources and Funding Liquidity

### Analysis of Cash Flows

Cash and cash equivalents totaled ¥41.1 billion as of March 31, 2017, up ¥22.3 billion from one year earlier.

Details of individual cash flows and the factors affecting them are described below.

#### Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥28.4 billion, up 26.1% from the previous year. This was mainly because of an increase in income before income taxes and the shift from a decrease to an increase in trade notes and accounts payable.

#### Cash Flow from Investing Activities

Net cash used in investing activities was ¥55.5 billion, up 59.5%, mainly stemming from the acquisition of shares in the current UWH and investments in affiliates.

#### Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥49.5 billion, up 342.7% year on year. This was due mainly to proceeds from the issuance of new shares and the raising of funds through long-term loans payable.



## Consolidated Balance Sheets

Unit: millions of yen

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	18,934	41,242
Notes and accounts receivable-trade	115,103	126,287
Merchandise and finished goods	30,780	29,179
Work in process	47,617	42,969
Raw materials and supplies	30,875	43,764
Other	20,120	22,152
Allowance for doubtful accounts	(20)	(29)
Total current assets	263,409	305,563
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	63,566	61,516
Machinery, equipment and vehicles, net	93,100	95,953
Land	115,150	115,034
Construction in progress	11,860	24,616
Other, net	9,229	8,348
Total property, plant and equipment	292,904	305,467
Intangible assets		
Goodwill	43,232	50,677
Other	17,580	16,713
Total intangible assets	60,812	67,390
Investments and other assets		
Investment securities	29,363	28,269
Retirement benefit assets	389	421
Other	15,747	18,436
Allowance for doubtful accounts	(81)	(103)
Total investments and other assets	45,419	47,023
Total noncurrent assets	399,135	419,880
Total assets	662,543	725,443

Unit: millions of yen

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	99,090	104,431
Short-term loans payable	63,921	50,592
Current portion of bonds	2,500	2,500
Current portion of long-term loans payable	47,714	45,268
Other	36,560	34,859
Total current liabilities	249,784	237,650
Noncurrent liabilities		
Bonds payable	5,000	2,500
Long-term loans payable	169,871	222,964
Lease obligations	19,581	17,823
Provision for restructuring	1,043	929
Retirement benefit obligations	18,814	18,768
Other	19,869	26,449
Total noncurrent liabilities	234,177	289,433
Total liabilities	483,961	527,083
<b>Net assets</b>		
Shareholders' equity		
Capital stock	45,000	52,277
Capital surplus	73,041	80,318
Retained earnings	36,103	42,252
Treasury stock	(214)	(241)
Total shareholders' equity	153,931	174,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,184	2,592
Deferred gains or losses on hedges	(1,003)	(661)
Foreign currency translation adjustment	9,649	6,851
Cumulative adjustments related to retirement benefits	1,270	703
Total accumulated other comprehensive income	11,100	9,485
Non-controlling interests	13,552	14,270
Total net assets	178,582	198,360
Total liabilities and net assets	662,543	725,443

## Consolidated Statements of Income and Comprehensive Income

### Consolidated Statements of Income

Unit: millions of yen

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Net sales	575,735	568,316
Cost of sales	509,176	490,460
Gross profit	66,559	77,856
Selling, general and administrative expenses	51,348	51,987
Operating income	15,212	25,869
Non-operating income		
Interest income	199	573
Dividend income	356	449
Rental income	284	286
Other	1,672	992
Total non-operating income	2,511	2,299
Non-operating expenses		
Interest expenses	3,525	3,790
Share of loss of entities accounted for using equity method	—	1,405
Financing expenses	—	1,195
Other	2,188	1,959
Total non-operating expenses	5,713	8,349
Ordinary income	12,010	19,819
Extraordinary income		
Gain on sale of noncurrent assets	113	119
Insurance proceeds	3,325	—
Other	282	18
Total extraordinary income	3,720	137
Extraordinary loss		
Loss on retirement of noncurrent assets	878	707
Impairment loss	430	365
Fire loss	—	270
Special severance payment	—	185
Other	446	148
Total extraordinary losses	1,754	1,675
Income before income taxes	13,976	18,281
Income taxes-current	3,523	8,505
Income taxes-deferred	4,524	174
Total income taxes	8,048	8,679
Net income	5,928	9,602
Net income attributable to non-controlling interests	823	887
Net income attributable to owners of the parent	5,105	8,715

### Consolidated Statements of Comprehensive Income

Unit: millions of yen

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Net income	5,928	9,602
Other comprehensive income		
Valuation difference on available-for-sale securities	(840)	1,405
Deferred gains (losses) on hedges	(783)	560
Foreign currency translation adjustment	(8,785)	(1,460)
Adjustments to retirement benefits	1,131	(679)
Share of other comprehensive income of associates accounted for using equity method	(1,756)	(1,454)
Total other comprehensive income	(11,034)	(1,627)
Comprehensive income	(5,106)	7,975
(Attributable to)		
Owners of the parent	(4,813)	7,100
Non-controlling interests	(293)	874

## Consolidated Statements of Cash Flows

Unit: millions of yen

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	13,976	18,281
Depreciation and amortization	22,893	23,508
Amortization of goodwill	2,521	3,177
Interest and dividends income	(555)	(1,022)
Interest expenses	3,525	3,790
Insurance proceeds received	(3,325)	—
Decrease (increase) in notes and accounts receivable-trade	(7,873)	(8,855)
Decrease (increase) in inventories	5,228	(5,983)
Increase (decrease) in notes and accounts payable-trade	(11,860)	4,331
Other	1,526	(3,644)
Subtotal	26,055	33,583
Interest and dividends income received	1,041	1,439
Interest expenses paid	(3,471)	(3,786)
Income taxes (paid)	(4,117)	(2,844)
Insurance proceeds received	3,004	—
Net cash provided by (used in) operating activities	22,511	28,393
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(29,126)	(30,544)
Purchase of intangible assets	(1,505)	(1,107)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(14,494)
Purchase of investments in capital of subsidiaries and affiliates	(17)	(5,091)
Other	(4,110)	(4,221)
Net cash provided by (used in) investing activities	(34,759)	(55,456)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(13,724)	(14,153)
Net increase (decrease) in commercial paper	(6,000)	—
Proceeds from long-term loans payable	67,283	97,939
Repayment of long-term loans payable	(48,311)	(48,832)
Payment for redemption of bonds	(2,643)	(2,500)
Proceeds from issuance of common stock	—	14,553
Cash dividends paid	(2,567)	(2,566)
Dividends paid to non-controlling interests	(213)	(195)
Sale-and-leaseback revenues	17,151	635
Proceeds from sale and installment back	4,527	9,013
Outlays for the repayment of lease obligations	(5,656)	(4,204)
Other	1,328	(213)
Net cash provided by (used in) financing activities	11,176	49,478
Effect of exchange rate change on cash and cash equivalents	(1,064)	(136)
Net increase (decrease) in cash and cash equivalents	(2,135)	22,278
Cash and cash equivalents at beginning of period	20,949	18,814
Net increase in cash and cash equivalents due to changes in scope of consolidation	—	33
Cash and cash equivalents at end of period	18,814	41,125



## Company Overview

<b>Corporate name</b>	UACJ Corporation
<b>Headquarters</b>	Tokyo Sankei Bldg., Otemachi 1-7-2, Chiyoda-ku, Tokyo, Japan
<b>Name and title of representatives</b>	Shigenori Yamauchi, Representative Director & Chairman of the Board  Mitsuru Okada, Representative Director & President
<b>Principal business</b>	Manufacture and sales of flat rolled products, casting products, forged products and precision-machined products of nonferrous metals, including aluminum and copper and alloys thereof
<b>Capital</b>	52.277 billion yen
<b>Number of employees</b>	9,819 (consolidated)
<b>Fiscal year end</b>	March 31
<b>URL</b>	<a href="http://www.uacj.co.jp/english/">http://www.uacj.co.jp/english/</a>

## Locations

<b>Nagoya Works</b>	Chitose 3-1-12, Minato-ku, Nagoya-shi, Aichi 455-8670, Japan
<b>Fukui Works</b>	Kurome 21-1, Mikuni-cho, Sakai-shi, Fukui 913-8588, Japan
<b>Fukaya Works</b>	Uwanodai 1351, Fukaya-shi, Saitama 366-8511, Japan
<b>Nikko Works</b>	Kiyotaki Sakuragaokamachi 1, Nikko-shi, Tochigi 321-1443, Japan
<b>Chubu Office</b>	Kanayama Place, Kanayama 1-13-13, Naka-ku, Nagoya-shi, Aichi 460-0022, Japan
<b>Kansai Office</b>	Nakanoshima Mitsui Building, Nakanoshima 3-3-3, Kita-ku, Osaka-shi, Osaka 530-0005, Japan
<b>Kyushu Office</b>	Fukuoka Center Building 5F, Hakataekimae 2-2-1, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011, Japan
<b>Hokkaido Branch</b>	NREG Kitananjo Building, Kitananjonishi 3-1-25, Chuo-ku, Sapporo-shi, Hokkaido 060-0003, Japan
<b>Shizuoka Branch</b>	Shizuoka Fukoku Seimei Building, Miyuki-cho 5-9, Aoi-ku, Shizuoka-shi, Shizuoka 420-0857, Japan
<b>Research &amp; Development Division</b>	Chitose 3-1-12, Minato-ku, Nagoya-shi, Aichi 455-8670, Japan

## Group Companies (Japan)

### Flat Rolled Products Business

UACJ Color Aluminum Corporation  
UACJ Fukaya Service Corporation  
UACJ Nagoya Alupack Corporation  
Sansen Co., Ltd.  
Furukawa UACJ Memory Disk Co., Ltd.

### Extrusion Business

UACJ Extrusion Corporation  
UACJ Extrusion Oyama Corporation  
UACJ Extrusion Nagoya Corporation  
UACJ Extrusion Gunma Corporation  
UACJ Extrusion Shiga Corporation  
Light Metals Extrusion Development Co., Ltd.  
Nihon Cooler Co., Ltd.

### Foil Business

UACJ Foil Corporation  
Nikken Co., Ltd.  
UACJ Foil Sangyo Corporation  
UACJ Foil Service Corporation

### Casting and Forging Business

UACJ Foundry & Forging Corporation  
HIGASHI NIHON TANZO CO., LTD.

### Copper Tubing Business

UACJ Copper Tube Corporation  
UACJ Copper Tube Sales Corporation  
Toyo Fitting Co., Ltd.  
UACJ Copper Tube Packaging Corporation

### Precision-machined Components Business

UACJ Metal Components Corporation  
Nalco Koriyama Co., Ltd.  
Sumikei-Nikkei Engineering Co., Ltd.\*

### Others

UACJ Trading Corporation  
Izumi Metal Corporation  
Metal Cut Co., Ltd.  
KAMAKURA INDUSTRY COMPANY LIMITED  
UACJ Marketing & Processing Corporation  
ACE21 Corp.  
UACJ Logistics Corporation  
UACJ System Corporation  
UACJ Green-net Corporation

\* Equity-method affiliate

## Group Companies (Overseas)

### Flat Rolled Products Business

UACJ (Thailand) Co., Ltd. (Thailand)  
 Tri-Arrows Aluminum Holding Inc. (USA)  
 Tri-Arrows Aluminum Inc. (USA)  
 Logan Aluminum Inc. (USA)\*  
 Constellium-UACJ ABS LLC (USA)\*  
 Bridgnorth Aluminium Ltd. (UK)\*  
 RUYUAN DONGYANGGUANG UACJ FINE ALUMINUM FOIL CO., LTD. (China)\*  
 UPIA Co., Ltd. (South Korea)

### Extrusion Business

UACJ Extrusion (Tianjin) Corporation (China)  
 PT. UACJ-Indal Aluminum (Indonesia)  
 UACJ Extrusion (Thailand) Co., Ltd. (Thailand)  
 UACJ Extrusion Czech s.r.o. (Czech Republic)

### Foil Business

UACJ Foil Malaysia Sdn. Bhd. (Malaysia)

### Casting and Forging Business

UACJ Foundry & Forging (Vietnam) Co., Ltd. (Vietnam)

### Copper Tubing Business

UACJ Copper Tube (Malaysia) Sdn. Bhd. (Malaysia)

### Precision-machined Components Business

UACJ Metal Components North America, Inc. (USA)  
 UACJ Metal Components Mexico, S.A. de C.V. (Mexico)  
 UACJ Metal Components Central Mexico, S.A. de C.V. (Mexico)  
 UACJ Metal Components (Thailand) Co., Ltd. (Thailand)  
 P.T. Yan Jin Indonesia (Indonesia)  
 UACJ (Wuxi) Aluminum Products Corporation (China)

### Others

UACJ Automotive Whitehall Industries, Inc. (USA)  
 UACJ North America, Inc. (USA)  
 SHANGHAI UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION (China)  
 UACJ MH (Thailand) Co., Ltd. (Thailand)  
 UACJ (Shanghai) Aluminum Corporation (China)  
 AFSEL S.A. (Greece)  
 UACJ ELVAL HEAT EXCHANGER MATERIALS GmbH (Germany)  
 UACJ Trading (Thailand) Co., Ltd. (Thailand)  
 UACJ Trading (Shanghai) Co., Ltd. (China)  
 UACJ Trading (Kunshan) Metal Products Co., Ltd. (China)  
 UACJ Trading (HongKong) Co., Ltd. (China)  
 UACJ Trading (Dalian.F.T.Z.) Co., Ltd. (China)  
 UACJ Trading Czech s.r.o. (Czech Republic)  
 UACJ Trading (America) Co., Ltd. (USA)  
 UACJ Marketing & Processing America, Inc. (USA)  
 UACJ Marketing & Processing Mexico, S.A. de C.V. (Mexico)  
 UACJ Australia Pty. Ltd. (Australia)  
 Boyne Smelters Ltd. (Australia)\*

\* Equity-method affiliate

## Stock Overview

**Total number of shares issuable** 1,700,000,000 shares

**Total number of shares issued and outstanding** 483,281,934 shares  
 Note: Includes 697,593 shares of treasury stock. The number of shares outstanding amounted to 483,281,934, due to a public offering with a payment date of March 21, 2017, and new share issuance of 55,000,000 shares through third-party allotment in line with sales due to overallocation with a payment date of March 28, 2017.

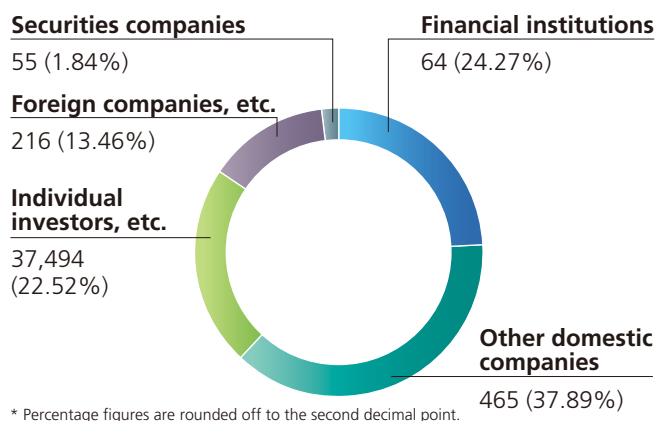
**Number of shareholders** 38,294

## Major Shareholders

Shareholder name	Investment in company	
	Number of shares held (thousands)	Equity position* (%)
Furukawa Electric Co., Ltd	120,365	24.94
NIPPON STEEL & SUMITOMO METAL CORPORATION	37,446	7.75
Japan Trustee Services Bank, Ltd. (trust account)	29,859	6.18
The Master Trust Bank of Japan, Ltd. (investment trust account)	23,870	4.94
SUMITOMO CORPORATION	7,500	1.55
Mizuho Bank, Ltd.	7,331	1.51
Sumitomo Mitsui Banking Corporation	7,330	1.51
The UACJ Group Employee Stock Ownership Plan	6,827	1.41
JP MORGAN CHASE BANK 380634	6,721	1.39
Japan Trustee Services Bank, Ltd. (trust account 9)	6,687	1.38

\* Calculations of ownership ratios exclude treasury stock (697,593 shares). Percentage figures are truncated after the second decimal place.

## Ownership Ratio (Share ownership percentage)



## Responding to Stakeholders' and Investors' Questions Regarding UACJ and the Flat Rolled Aluminum Industry

**Q** How are aluminum sheets manufactured?

**A** First, an aluminum ingot is melted (melting process) and then impurities are removed and it is formed into a large cuboid of aluminum (slab). For example, the length of a slab made at Fukui Works can be as wide as 2.3 meters and 10 meters long, and weigh as much as 32 tons. Next, the slab surfaces are scraped and the slab is treated by heating to a maximum of 600°C to ensure a uniform slab temperature. The slab is

then sent to a hot rolling line where a machine presses it into a sheet as thin as about 3mm, which is then rolled up into a coil (hot rolling). Subsequently, sheets are further rolled by a cold-rolling machine (cold rolling) while constantly controlling the sheet thickness and flatness. The strength of the sheet is adjusted according to its application. Finally, finishing (e.g., surface treatment and coating) is applied, depending on which product it is used for, such as cans, before being delivered to the customer.

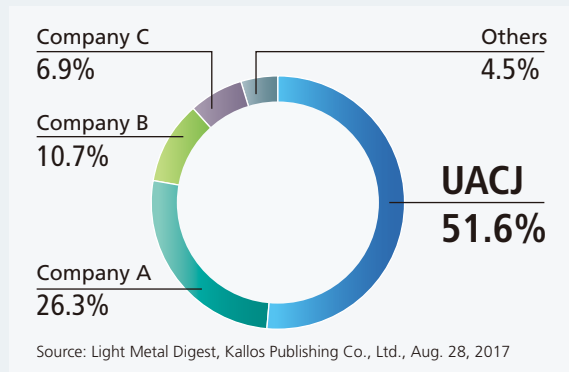
**Aluminum manufacturing process**



**Q What is UACJ's position in the Japanese aluminum industry?**

**A** Our global sales in fiscal 2016 were 1,020,000 tons, and we hold the No. 1 position in the Japanese aluminum industry.

**Ratio of domestic flat rolled aluminum product production**



**Q Who are your main customers?**

**A** Our customers cover a wide range of industries, including can manufacturers, foil manufacturers, electronic components manufacturers, automobile and automotive parts manufacturers, metal trading companies, ship builders and more.

**Q What UACJ's position in the global aluminum industry?**

**A** UACJ has flat rolled aluminum products sales of approximately one million tons per year, around the same amount as other major world-leading aluminum companies such as Novelis and Arconic.

**Q What is the ratio of UACJ sales and sales volume for overseas markets?**

**A** The Global Step I Mid-term Management Plan sets forth our goal for bolstering the global sales network. Thanks to steady progress in implementing measures to attain this goal, the ratio of overseas sales has grown year-on-year from 36.7% in FY2014 to 38.5% in FY2016 and overseas sales volume has risen year-on-year.

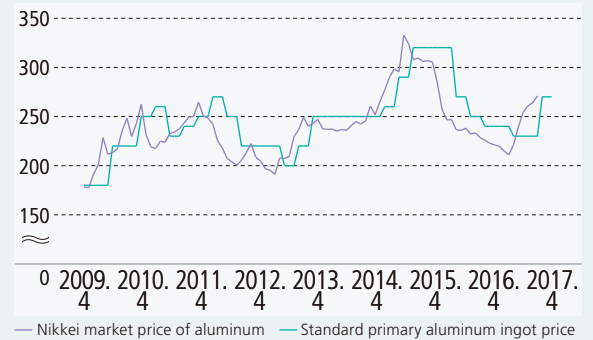
**Q UACJ has substantial interest-bearing liabilities. How does the Group feel about the soundness of its financial standing?**

**A** The Group is actively making advanced investments with an eye toward future growth based on the growth strategy stipulated in the mid-term management plan. Borrowing is therefore increasing at present, but we will soon enter the payout period. We will continue with Group management emphasizing a balance between financial soundness and investment.

**Q Do fluctuations in the primary aluminum ingot price affect UACJ's business performance?**

**A** The primary ingot prices of aluminum and copper, which are the main materials utilized throughout the Group, are always fluctuating according to the market environment. The selling prices of our products is basically "Primary ingot price + Processing fee (roll margin)," and this fluctuates in parallel with the ingot market price. As we have prior arrangements with our customers to adjust prices according to market fluctuations, business performance is not largely affected by such fluctuations.

**Nikkei average primary ingot price/ Standard primary aluminum ingot price**



**Q Please explain about "inventory valuations," which is referred to in the explanatory note on profits.**

**A** It is the profit or loss generated by the difference between the primary ingot price, the basis of UACJ's sales price and the actual price of the ingot when purchased, and the difference between UACJ's purchase price and the aggregate average shipping price of the inventory. If we purchased aluminum ingots when the price was high and the price later falls, the inventory valuation becomes negative. In contrast, if we purchased aluminum ingots when the price was low and the price rises thereafter, the inventory valuation becomes positive.

**Q Do fluctuations in crude oil price affect UACJ's business performance?**

**A** The fluctuation of crude oil price by one US dollar causes our ordinary income to change approximately 100 million yen.

**Q Do fluctuations in foreign currency affect UACJ's business performance?**

**A** The effect is not significant.

**Q Do weather conditions affect UACJ's business performance?**

**A** The sales of aluminum products tend to increase when there is a very hot summer. This is because the shipments of air conditioners and beverage cans, which use aluminum, increase. However, the influence is not as much as it once was.



# UACJ Corporation

## **PR/IR Department**

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**<https://www.uacj.co.jp/english/inquiry/ir>**

For comments or suggestions regarding this report,  
please use the inquiry form provided (page linked to  
the above URL) or contact UACJ via telephone or  
facsimile using one of the numbers provided above.